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The Effects of Non-Negotiable
and Partially-Negotiable Domestic Factors
in the Monetary Union:
Flexible integration, Skeptical Integration
and Europeanized Integration

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The Effects of Non-Negotiable and Partially-Negotiable Domestic Factors in the Monetary Union: Flexible integration, Skeptical Integration and Europeanized Integration ♦

Alessandro Cagossi ♦

Abstract:

The aim of this paper is to investigate why convergence is so difficult in the EU Monetary Union. My hypothesis is that Non-Negotiable Domestic Factors (N-NDFs) and Partially-Negotiable Domestic Factors (P-NDFs) play a pivotal role in both monetary Integration and Europeanization. N-NDFs are *radically or irreducibly different* from, while Partially-Negotiable Domestic Factors (P-NDFs) are *significantly different* from the ones the EU dictates to its members.

I apply these two concepts to redefine two well-known approaches. Looking at “flexible integration”, my hypothesis is that the UK, Denmark and Sweden failed to enter into the Eurozone because some Non-Negotiable leadership’ and citizens’ beliefs prevailed. With regard to “Uploading Europeanization”, Germany was only partly successful in uploading its Deutsche Bank system to the EU level because it was obliged to partially negotiate with other members its proneness to play as a leader in monetary policy.

Furthermore, I use N-NDFs and P-NDFs to define two brand new processes. “Skeptical integration” refers to the cases of Italy’s and Greece’s dubious attitudes toward monetary union caused by Partially-Negotiable Domestic Factors (P-NDFs) such as internal policy heritage that heavily constrained the Euro implementation. Finally, “Europeanized Integration” led to new members of Eastern Europe to obtain a successful entrance delay into the Eurozone because a lack of integration process brought to a forced and subsequently unsuccessful Europeanization, meaning that new members integrated in an already Europeanized context. Taken together, these four approaches synoptically explain rejections that occurred in the EMU by both old and new members.

Key Words:

Non-Negotiable Domestic Factors, Partially-Negotiable Domestic Factors, Flexible Integration, Skeptical Integration, Europeanized Integration

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Introduction

1. Projecting the Monetary Union in Theory:
The Three-Step Approach Toward Convergence
2. Theorizing Convergence in Monetary Union
3. Multi-Level Governance (MLG) and Monetary Union
4. Traditional Actors, Dynamics and Relationships on “Uploading” European Integration
and “Downloading” Europeanization
5. The Pivotal Role of N-NDFs and P-NDFs in European Integration and Europeanization
6. The Structured Focused Comparison for the Study of the Illustrative Cases
7. When N-NDFs Prevail in Flexible Integration: The Case of UK’s,
Denmark’s and Sweden’s “Opting Out” from the EMU
8. P-NDFs Prevalence in Skeptical Integration: Italy and Greece
Between the EMU as an “External Tie” and Lack of Structural Reform
9. When P-NDFs Prevail in Uploading Europeanization:
Germany’s Leadership Ambitions on the EMU
10. N-NDFs Prevalence in Europeanized Integration: New Central and Eastern
European Members and their postponement of Entrance into the Eurozone

Conclusion

Introduction

Currently, only fifteen EU members out of twenty-seven have adopted the Euro. Numerically, this means that the Eurozone is slightly dominating in the “Non-Eurogroup”. The aim of this paper, therefore, is to investigate why convergence and Europeanization are so difficult in the EU Monetary Union. What explains differential implementation of monetary union between old and new EU member-states? Why did some old members react ambivalently, some ask for derogation, and others request an exceptional status? And, why did new Central and Eastern members obtain a postponement? To answer these questions, I assume that in the EMU, European integration, convergence and Europeanization theories alone are insufficient to elucidate the path and result of monetary union. On the contrary, I am proposing a critical revision of the theory that synoptically explains frequent rejections that occurred in the EMU by both old and new members.

My central hypothesis is that in the EMU, Non-Negotiable Domestic Factors (N-NDFs) and Partially-Negotiable Domestic Factors (P-NDFs) play a pivotal role in both European Integration and Europeanization. N-NDFs are radically, significantly or irreducibly different from the ones the EU dictates to its members. N-NDFs win the competition against other powerful interests, which are organized at the EU level. With monetary union, the effects of N-NDFs reverberate in “Flexible Integration” and “Europeanized Integration”.

On the other hand, Partially-Negotiable Domestic Factors (P-NDFs) are significantly different from the ones the EU dictates to its members. In this case, thus, during integration the domestic actors mediating between the two levels are resistant to giving up domestic influence. However, these domestic constraints are balanced by counter-pressures coming from both internal and EU levels. Therefore, P-NDFs do not decisively win the EU proneness organized at the domestic level. As a result, the country decides not to completely abandon the integration path, but at the end, given the activity of multiple, divergent, or opposite forces, integration is weakened. I assume that prevalence of P-NDFs causes “Uploading Europeanization” and “Skeptical Integration”.

In section four, I will examine mainstream literature, traditional actors, dynamics and relationships involved in “Uploading” European Integration and “Downloading” Europeanization. “Uploading” European integration coincides with the successful bottom-up creation of a supranational body of institutions, rules and procedures by the members of the European Union (EU). With integration, the independent actors are the states and the EU is the dependent one. Integration, therefore, corresponds to the definition of “the rules of the game” in terms of polity building and policy framing. Successful integration in monetary union was achieved in the majority of the old members.

Recently, this path has been refined with an emerging attention on “downloading” Europeanization, the top-down domestic adaptation to the pressures emanating directly or indirectly from EU membership. Under Europeanization, the EU is assumed to act as an autonomous actor, able to decisively shape policies, politics and politics of its member-states. Shortly, Europeanization means to “play the EU game”, representing a logical evolution after an intense phase of integration. In both “Uploading Integration” and “Downloading Europeanization”, domestic factors do not constitute an obstacle to the reception of EU policies. In effect, the majority of old members effectively opened their domestic doors to the input coming from the European Central Bank with reference to the common monetary policy. Both European integration and Europeanization reverberate in the concept of convergence, especially in the development of the monetary union. In the first section, I will clarify how the EU institutions planned the monetary union in theory, adopting a three-step approach toward convergence. Successively, I will review literature on convergence in the second section.

Another theoretical framework linked with European integration and Europeanization is a peculiar institutional architecture defined as Multi-Level Governance (MLG) in which decision-making competences are supposed to stand not only within state governments but also within

institutions and actors at other levels of government. I will present a bibliographic literature review on MLG in section three. In sum, MLG defines “where the game is played”. In the case of common monetary policy, the competence is supposed to be exclusively at the EU level, since that the management of the Euro is one of the EU’s communitarian pillars.

My main contribution comes in section five, whose premise is the assumption that European integration and Europeanization theories are not capable of completely explain the enormous complexity posed by EU regionalism, especially considering the skeptical responses to the EU coming from its member-states. In fact, the different nature and degree of N-NDFs and P-NDFs give way to a fluctuating and co-evolving (not only unidirectional) relationship between the EU and its members, both old and new. In this section, I will first define N-NDFs and P-NDFs. Then, I will apply these two concepts to redefine two approaches already widely investigated in the literature on “Flexible Integration” and “Uploading Europeanization”. Furthermore, I will use N-NDFs and P-NDFs to create and define two brand new processes, named “Skeptical Integration” and “Europeanized Integration”. Taken together, these four approaches synoptically explain frequent rejections that occurred in the EMU by both old and new members. Finally, I will delineate the consequence of this critical framework for MLG theoretical apparatus and definition of convergence.

The sixth section summarizes the methodology adopted to advance the research design. I specify a series of transversal indicators such as strategy toward the monetary union, the type of prevailing factor (N-NDFs or P-NDFs), specific kind of factors, and the domestic actors using it. These indicators will be applied to the illustrative cases in a comparative perspective. I will start the study of the cases in section seven, reviewing the theory of flexible integration with reference to the monetary union. In this regard, my hypothesis is that the United Kingdom, Denmark, and Sweden failed to enter into the Eurozone because some Non-Negotiable leadership’ and citizens’ beliefs prevailed. In these cases, the domestic actors mediating between the EU and the countries decided to opt out during the definition of the rules.

Further, in section eight I will introduce the definition of “skeptical integration” looking at the cases of Italy’s and Greece’s dubious attitudes toward monetary union. According to my approach, these ambivalent attitudes toward the Euro were caused by Partially-Negotiable Domestic Factors (P-NDFs) such as internal policy heritage that did not prevent the adoption of the Euro but highly constrained its effective implementation.

In section nine, I will present the unique case of “Uploading” Europeanization, referring to the German success of transferring the model of its central bank to the European Central Bank (ECB). Germany, actually, wanted to upload its Deutsche Bank system in terms of emulating its constitutional designs to the EU level. However, negotiations between Germany, France, and other members resulted in Germany being only partly successful in this enterprise because it was obliged to partially negotiating its domestic proneness to play as a policy leader in setting monetary policy.

In the last section, before the conclusion, I will highlight other important cases in which Europeanization is made difficult by N-NDFs, which led to new members of Central and Eastern Europe to ask for and obtain a successful entrance delay into the Eurozone. I suggest that lack of integration process brought about a forced and subsequently unsuccessful Europeanization, thus causing almost all the new members to ask for a postponement of the Euro adoption. Lack of integration means that new members are required “to play the game” without participating in defining its rules during the 1990s, when they were not yet members of the Union. It indicates that downloading Europeanization forces new members to integrate in an already Europeanized context where the rules have been previously decided upon by other actors. In fact, they did not take part in “uploading” European integration that was managed solely by the old EU members. Therefore, asking for a postponement was the only option they had in redefining and negotiating “fit” and exercising some sort of power politics in bargaining with other members.

1. Projecting the Monetary Union in Theory: The Three-Step Approach Toward Convergence

The Economic and Monetary Union (EMU) is the last step of a long path toward EU economic and monetary integration³. The attempt of the Commission in 1961-1962 with the “Action programme for the second stage of the common market” was prior to the EMU⁴. Further, the Werner Report in 1970 expressed the “Member States’ political will to establish an economic and monetary Union”⁵. Finally, the creation of the European Monetary System (EMS), whose establishment was due to the political initiative of the French and the German governments, was defined as a “scheme for the creation of closer monetary cooperation leading to a zone of monetary stability in Europe”⁶. The EMS included the European Exchange Rate Mechanism (ERM), a system designed to reduce exchange rate variability and achieve monetary stability in Europe against the turbulence of the global currency market, especially caused by the swinging US dollar during Reagan’s presidency. The ERM was based on the concept of fixed currency exchange rate margins, but with exchange rates variable within those margins.

The 1985 Single European Act (SEA) mentioned that monetary union should be a reachable goal of the European Community. However, the SEA did not plan how this could be achieved⁷. A new debate among European policymakers toward the opportunity of a monetary integration started in 1988. This debate, ignited by the president of the Commission, Jacques Delors – and opposed by UK prime minister Margaret Thatcher –, shows how policies can be affected, if not initiated, by political leaders that strongly follow their political beliefs, personal expertise, individual culture, norms and ideologies, psychological traits, and cognitive skills. Delors’ intention was to further promote a monetary union through a three-stage process leading to a complete currency convertibility and an irrevocable fixing of exchange rates, together with some institutional arrangements and transitional requirements⁸.

In 1992, following Delors, the Maastricht Treaty (formally, the Treaty on European Union, TEU) established the EU, together with the second stage of the EMU⁹. Technically, Maastricht provided some convergence criteria (also known as the “Maastricht criteria”) for EU member states to enter the third stage of the EMU and adopt the Euro¹⁰. Then, as I will focus on

³ For the historical evolution of the monetary integration, see Jones, Erik (2002). “The Politics of Economic and Monetary Union”, Rowman and Littlefield: Lanham, pag. 5 -11; Panarella, Alfredo (1995), “The Maastricht Treaty and the Economic and Monetary Union”, Leuven University Press, pag. 13 – 30. Dinan, Desmond (2005), “Ever Closer Union”, Rienner: Boulder, p. 77-79. Van Oudenaren, John (2005). “Uniting Europe”. 2nd ed. Rowman and Littlefield: Lanham, Chap. 6.

⁴ Commission des Communautés Européennes (1962), “Mémorandum de la Commission sur le programme d’action de la Communauté pendant la deuxième étape, Chapitre VIII (politique monétaire)”, 24 Octobre 1962, Office des publications officielles des Communautés Européennes, No. 8067/1/XI/1962/5, Luxembourg. With this document, the commission inserted a chapter on monetary matters proposing to fix the exchange rates between European currencies together with the accumulation of an European reserve currency in preparation for the monetary union.

⁵ Report to the Council and the Commission on the realisation by stages of an Economic and Monetary Union in the Community (Werner Report), OJ [1970] C 94/1, and Bulletin of the European Communities 11/1970.

⁶ Resolution of the European Council of 5 December 1978 on the establishment of the European Monetary System (EMS) and related matters.

⁷ On the importance of the Single European Act for the monetary union, see Hix (2005). “Economic and Monetary Union”, ch. 10 in *The Political System of the European Union*, 2nd ed. New York: St. Martin’s Press, 2005.

⁸ “Report on economic and monetary union in the European Community (the Delors Report), para. 25; and Van Oudenaren, John (2005), “Uniting Europe”, 2nd edition, Rowman and Littlefield: Lanham.

⁹ On the development of EMU, see Panarella, Alfredo (1995), “The Maastricht Treaty and the Economic and Monetary Union”, Leuven University Press, pag. 33 – 55; Van Oudenaren, John (2005), op. cit., pag. 206-227.

¹⁰ The four main criteria are based on Article 121(1) of the European Community Treaty. The purpose of setting the criteria is to maintain the price stability within the EU even with the inclusion of new member states. The member who wants to adopt the euro need to meet certain criteria which include inflation rate (no more than 1.5 percentage points higher than the 3 best-performing member states of the EU); government finance (the ratio of the annual government

later, the whole process to achieve monetary union, which lasts a decade, can be depicted in terms of convergence. In the TEU, four underlying principles drive the EMU: first, subsidiary defines the balance of power in the union¹¹. Second, the principle of parallelism between economic union and monetary union, which can be seen on the whole as a principle emphasizing the “economic convergence” process as already declared by the Treaty Establishing the European Community (TEC) in 1957¹². Third, the principle of cohesion was aimed to reduce developmental inequalities between richer and poorer regions within member states¹³. Finally, the principle of irreversible progressivity, that is, the three scheduled steps, emanates from the first stage of the EMU that started in 1990, with the full liberalization of capital movements among members. The second stage began in 1994, characterized by the creation of the European Monetary Institute (EMI). The last stage initiated in 1999, consisted of the creation of the European Central Bank (ECB) and the replacement of ERM by ERM II¹⁴. With the third step, members decided to delegate irrevocably their monetary policy to the ECB. Finally, in 2002 creation and diffusion of the Euro came into effect.

A number of studies examine the negotiations that occurred during monetary integration, a process that lasted more than a decade. Specifically, looking at the domestic political reactions and subsequent bargaining in the European debate shows that the setting of a common monetary policy was determined by politics¹⁵. This feature, together with the determination of political leaders, characterized the early evolution of the EMU, with reluctant, skeptic and supportive positions. The reluctant UK government contested the political desirability of the EMU, followed by Denmark. As a result, a derogation status has been granted for the states that wanted to opt out from the EMU, following the principle according to which participation in the EMU cannot be imposed on any member state. Sweden, a member since 1995, has also deliberately chosen to stay out of the mechanism, thus maintaining their currency, the Swedish Krona. Sweden is expected to participate in ERM II in order to meet the convergence criteria required to adopt the Euro, but its exceptional status has been tolerated by EU institutions. Greece and Italy represent ambivalent cases. After an initial decision to opt out from the EMU, Greece decided to adopt the Euro. As a result, during the third step in 1999, the Greek currency was part of ERM II, and Greece has been part of the Euro-zone since 2001. Not only Greece but also Italy deal skeptically with the possibility to postpone its entrance into the EMU, due to lack of prerequisites. However, especially in the case of Italy, the Euro was intended as an “external tie” and to work as a tool to promote some urgent domestic reforms, allowing Italy to respect the timing scheduled. Finally, Germany, a leading member supporting the EMU, succeeded to transfer the model of its central bank to the European Central Bank.

In 2004, a new chapter was written on monetary union, with the entrance of ten new members from Eastern Europe into the EU. In theory, the situation of new members is different from the one of the old members. In fact, new members have to accept all the provisions that come with entrance into the European Union, which includes mandatory adoption of the Euro. None of them have the possibility to opt-out, they are obliged to join the Euro-group according to

deficit to gross domestic product (GDP) must not exceed 3% at the end of the preceding fiscal year); government debt (the ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year; exchange rate (applicant countries should have joined the exchange-rate mechanism (ERM II) under the European Monetary System (EMS) for 2 consecutive years; long-term interest rates (the nominal long-term interest rate must not be more than 2 percentage points higher than the 3 best-performing member states.

¹¹ Art. G.5 TEU.

¹² Title II (arts 102 – 109), Part Three of the EEC Despite the interconnections between the economic and the monetary union, in this paper I take into consideration only the monetary union.

¹³ Art 130A TEC, para. 2.

¹⁴ Currencies in ERM II are allowed to float within a range of $\pm 15\%$ with respect to a central rate against the Euro.

¹⁵ Among others, see Jones, Erik (2002). “The Politics of Economic and Monetary Union”, Rowman and Littlefield, Lanham. Dinan, Desmond (2005), “Ever Closer Union”, Rienner: Boulder,. Featherstone K., and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press.

the convergence criteria¹⁶. However, negotiations between domestic and the EU level characterize not only the early, but also the latest evolution of the EMU, with the inclusion of new members. Specifically, new members have found room for negotiation with the aim of procrastinating their entrance into the Eurozone. As a result, of the ten new members, only Slovenia has adopted the Euro in 2007 and only small members Malta and Cyprus have adopted it in 2008. The absence of big names such as Poland, the Czech Republic and Hungary in the Euroclub is confirming that convergence is far from completely successful¹⁷. Even Romania and Bulgaria, new members as of 2007, are expected to convert to the Euro without a definite timetable¹⁸.

The overall historical path depicted above on monetary union affects four theoretical apparatuses intertwined among themselves, which are theories on convergence, MLG, European integration and Europeanization. To clarify the use of these terms, I assume that convergence and MLG can be used as indicators of European integration and Europeanization. Convergence and MLG are analyzed in the following two sections, while traditional actors, dynamics and structure on “Uploading” European integration and “Downloading” Europeanization will be outlined in the fourth section.

2. Theorizing Convergence in Monetary Union

This section outlines the theoretical apparatus on convergence that logically followed the crafted convergence by real EU policy makers. For many commentators, the chapter on the EMU included in the Maastricht Treaty represents the most significant event in European integration since the signing of the Rome Treaties in 1957¹⁹. The EMU has been particularly important because it introduced the idea of convergence, a process that will be adopted by the EU to promote integration in other policy areas. Also, the EMU represents one of the first examples of European integration and subsequent Europeanization; this means that the EU has an effective role in directing and pressuring its members toward policy, procedures and goals. Finally, the EMU is particularly important for multi-level governance due to, at least, two prominent reasons: first, it presupposes a transfer of sovereignty in monetary policy from national authorities to supranational institutions; secondly, it provides a new concept of a central bank, called to manage an entirely fiduciary currency.

The EMU represents a clear case of policy change for the EU members. Initially, within the dynamic of regional integration, the EMU designers proposed and propelled the EMU through a convergence process. However, in real terms, members have adopted multiple strategies to cope with the EMU convergence criteria. Looking at the theoretical lineaments on convergence, Featherstone and Radaelli (2003) with the other contributors of their book, use some institutional explanatory concepts such as domestic adaptation, cross-national convergence, policy transfer and “goodness to fit”. These concepts depict brand new processes in policy homologation within the EU, which is defined as a complex entity with its own nature, mixing international, supranational and intergovernmental features²⁰. Notwithstanding, among these institutional explanations that are in competition or partially overlapping, particularly persuasive is the “goodness of fit”

¹⁶ The EU institutions tolerated UK's, Denmark's and Sweden's opt out from the Euro but the Commission has stated it would not be indulgent on any future members attempting the same route. Then, opting out became a procedure that the EU was obliged to ban for future new members.

¹⁷ The Estonian kroon, Lithuanian litas, and Slovenian tolar were included in the ERM II in 2004; the Cypriot pound, the Latvian lats and the Maltese lira on 2005; the Slovak koruna on 2005. The currencies of the three largest countries which joined the European Union on 1 May 2004 (the Polish zloty, the Czech koruna, and the Hungarian forint) are expected to follow eventually, without a precise timetable.

¹⁸ Bulgaria enjoyed ERM II membership in the beginning of 2007 and adoption of EMU is predicted for 2010. Romania plans to join ERM II in 2010-2012, while adoption of EMU is not scheduled with a precise timetable.

¹⁹ J. V. Louis, “Perspectives of the EMU after Maastricht”, in Stuyck ed., *Financial and Monetary Integration in the European Economic Community – Legal, Institutional and Economic Aspects*, Kluwer Law and Taxation Publishers, Deventer 1993, pp. 5.

²⁰ Featherstone K., and Radaelli, C. eds. (2003) “The Politics of Europeanization”, Oxford University Press.

approach elaborated upon by Börzel and Risse to explain successful policy implementation, a situation that occurs when there is homogeneity between the domestic institutional framework and the European one. In the EMU, this approach works better in the German and French cases, when the two countries tried to upload their respective central bank models to the EU level during the earlier negotiations²¹.

Literature offers other insightful theories on convergence. For Knill, convergence is “an increase in the similarity between one or more characteristics of a certain policy [...] across a given set of jurisdictions [...] over a certain period of time. Policy convergence, thus, describes the end result of a process of policy change”. Knill argues that convergence is a causal mechanism provoked by imposition, international harmonization, regulatory competition or transitional communication and Europeanization²². Furthermore, Holzinger and Knill distinguish among degree, direction and scope of convergence. This configuration applies to many concepts familiar to the study of public policy such as imposition, international harmonization, lesson-drawing, transnational problem-solving, and emulation²³. Falkner et al., (2005) argue that in social policy and labor law, only moderate convergence can be detected because the members partially implement the EU directives. Even if they are not interested in measuring convergence, translating their intuition to the EMU opens the possibility to measure quantitatively monetary convergence through a scale in terms of low, moderate, significant or full convergence. In addition, Jordan addresses an interesting methodological article on convergence, underlining the necessity to better define the problem of causality with a more precise definition of the variables under investigation. In fact, for him, the implementation of EU policy can be studied with a cumulative body of research designs dealing with the concepts of isophormism, policy transfer, and new modes of EU coordination²⁴. Finally, in line with my hypothesis on Non-Negotiable Domestic Factors affecting Europeanization, Lenschow, Lieffering and Veenman develop a framework for analyzing domestic factors (culture, tradition and economy) behind policy diffusion and convergence²⁵. They confirm the “Family of Nations” idea that countries that are culturally, traditionally and economically closer are expected to adopt similar policy solutions²⁶.

3. Multi-Level Governance (MLG) and Monetary Union

Another theoretical apparatus linked with European integration and Europeanization reflected by the EMU is Multi-Level Governance (MLG). This section, initially presents theories on MLG and later it focuses on literature looking at the connections between MLG and the EMU. Both European integration and Europeanization reverberate not only in convergence but also in a peculiar institutional architecture defined as Multi-Level Governance (MLG). This crossroads denotes an intersection between comparative policy and international relations because European integration and Europeanization are closely related to policy formulation processes, while MLG is referring to the debate on the second image and the second image reversed. Since the 1990s, the EU government has been defined as multilevel and interdependent. In such an environment, MLG is defined as the intertwined policy formation processes at three levels: the subnational (the

²¹ Goodness to fit has been elaborated in two separated articles. Börzel, T. and Risse, T. (2000). “When Europe Hits Home: Europeanization and Domestic Change”, in *European Integration online Papers (EIoP)*, 4, 015; and Börzel, T. and Risse, T. (2003). “Conceptualizing the Domestic Impact of Europe”, in Featherstone and Radaelli eds., *The Politics of Europeanization*, Oxford University Press.

²² Knill, C. (2005), “Introduction: Cross-national Policy Convergence: Concepts, Approaches and Explanatory Factors.” *Journal of European Public Policy* 12: pag. 768.

²³ Holzinger, K. and Knill C. (2005), “Causes and conditions of cross-national convergence”, in *Journal of European Public Policy*, Vol. 12, N. 5 (October), pgs. 775 – 796;

²⁴ Jordan, A. (2005), “Policy Convergence: A Passing Fad or a New Integrating Focus in European Union Studies?”, *Journal of European Public Policy* 12: 944-953;

²⁵ Lenschow, A., Duncan L., and Sietske V., (2005), “When the Birds Sing. A Framework for Analyzing Domestic Factors Behind Policy Convergence”, *Journal of European Public Policy* 12: 797-816.

²⁶ See F. Castles (1993). “Families of Nations”, Brookfield, NH: Dartmouth.

micro-regions within the states) the domestic (the various member-states) and the supranational (the EU institutions).

In line with MLG theory and practice, states are required to play the role of co-policymakers and/or policy implementers. On the other side, the EU is supposed to be able to effectively drive policymaking, especially in areas where it is exclusively competent. Moreover, Micro-regions within the state are relatively free to search for representation at the EU level, in order to search for funds and legitimization as political actors. MLG is continuously shaped by different dynamics: In this way, trends to decentralization of agenda setting and devolution work well when there is symbiosis between the two levels of analysis providing the development of collaborative patterns.

MLG was first used by Marks in 1993 to capture developments in the European integration after the Single European Act (SEA) in 1988²⁷. Drawing from the policy networks approach in domestic politics, Marks defined MLG as “a system of continuous negotiation among nested governments at several territorial tiers”²⁸. He further notes that within MLG “supranational, national, regional, and local governments are enmeshed in territorially overarching policy networks”. For Hooghe and Marks, MLG does not imply that central governments are no longer important²⁹; rather it contends that central governments are no longer the only institutions that control decision-making. Fundamentally, multi-level governance implies that the making of public decisions is dispersed across multiple territorial levels. Further, according to Marks and Hooghe, the core argument of MLG is that “governance must operate at multiple scales in order to capture the variations in the territorial reach of policy externalities”³⁰.

Looking at the EU, Marks and Hooghe propose a model in which institutions, such as international, national, regional, and local authorities, perform general-purpose functions in a multi-level governance system. Driven by general-purpose, these institutions perform several functions, including a number of policy responsibilities. This model, then, is concerned with power sharing among actors operating at a limited number of levels. Applying the concept of multi-level governance, to EU decision making, Marks notes that in MLG, subnational actors are important in the EU, leading to three tiers of decision making- national, supranational, and subnational. Principally, in the EU, MLG has been used to denote the presence of various institutions that affect public policy in the EU member countries³¹. Other studies have also outlined some benefits of MLG. Pollack and Majone argue that multiple jurisdictions can facilitate credible policy commitments³². For Weingast, multiple jurisdictions allow for jurisdictional competition³³. To Gray, it facilitates innovation and experimentation³⁴.

Literature on the EMU grasps MLG theory in various degrees. Despite the empirical problems and theoretical criticisms that will be depicted later, the EMU is particularly important for at least two prominent reasons: first, it presupposes a transfer of sovereignty in monetary policy from national authorities to supranational institutions; second, it provides a new concept of a central bank, called to manage an entirely fiduciary currency. In this way, the EMU can be inscribed in the path that Radaelli

²⁷ Marks, Gary (1993). “Structural Policy and Multilevel Governance in the EC.” in Alan Cafruny and Glenda Rosenthal, (eds.), *The State of the European Community*, New York: Lynne Rienner, pag. 391-410.

²⁸ Marks, Gary (1993), op. cit. pag. 392.

²⁹ Hooghe, Liesbet and Gary Marks (2001). “Multi-level Governance and European Integration”. Rowman and Littlefield Publishers.

³⁰ Hooghe, Liesbet and Gary Marks (2001), op. it., pag. 16.

³¹ These institutions are the European Commission (EC), European Parliament (EP), the European Court of Justice (ECJ), the central governments of member countries, and the provincial and state governments in federal and quasi-federal member countries of the EU.

³² Pollack, M., (1997). “Delegation, Agency and Agenda Setting in the European Community,” *International Organizations*, 51:99-134. Majone, Giandomenico (1998). “Europe's ‘Democratic Deficit’: The Question of Standards”, *European Law Journal*, 4:1:5-28.

³³ Weingast, B., (1995). “The Economic role of Political Institutions: Market Preserving Federalism and Economic Development”, *Journal of Law, Economics and Organization*, 11: 1-31.

³⁴ Gray, Virginia (1973). “Innovation in the States: A Diffusion Study.” *American Political Science Review*, 67: 1174-85. Gray, Virginia (1994). “Competition, Emulation, Policy Innovation”, in Lawrence C. Dodd and Calvin Jillson (eds.), *New Perspectives on American Politics*, 230-48, Washington: CQ Press.

defines as Europeanization of public policy³⁵. This means that the influence of MLG in European politics and public policy means that members experience some reduction of their influences in their domestic environment. In a policy area like the EMU, MLG should encourage institutional reform and sovereignty shift from the domestic level to the European one. In the EMU, then, only the supranational level of authority (the European Central Bank) is exclusively responsible for addressing monetary policy. This intuitively explains why member-states are not affected uniformly by the EMU, even if it was supposed to regulate a common monetary policy. Especially looking at the old members, this fragmented response is caused by different preferences among member states, able to circumvent necessities of institutional change promoted by the EMU. This means that non-negotiable domestic interests decisively influence decision making in several countries on domestic issues.

Here it is important to note that when looking at the monetary union, MLG works only in two main contexts: the national context of individual countries (the European states) and the context of European Union one. With reference to the EMU, MLG is strongly correlated to the relationship between the European and the domestic levels, with little importance accorded to sub-national actors like local communities. This is because the monetary policy, before the EMU, was in the hands of domestic national governments and regulated by independent agencies such as the central banks. In this system of competences, scarce room was accorded to the local actors, such as provinces, regions, or lands. Consequentially, with the aim to develop a common monetary policy, the EMU defined a new system of competences in which territorial actors were not involved³⁶.

A common denominator is that the EMU promotion within the EU is depicted as a process in which the policy process is determined by politics³⁷. On this point, Falkner et al write “the process of designing and implementing EU law is political”³⁸. Similarly, Featherstone and Radaelli (2003) demonstrate that Europeanization of policies is a political-driven process. However, many theories portray MLG from different perspectives, looking at economic factors, institutional legitimation, and actors’ behaviors.

Cameron traces the emergence of new European organization structures in the monetary realms, adopting an economic explanation of MLG³⁹. He argues that member-states perceived the necessity to create new institutions at the supranational level to better serve their interests. Like Cameron, Jones analyzes the EMU in terms of an economic goal led by political processes⁴⁰. Idiosyncrasy is the concept used by Jones to define the controversies that have surrounded the creation of the EMU, because “the politics of EMU [...] varies from country to country and from one situation to the next”⁴¹. The author argues that divergences toward the EMU embraced the significance of the broad change instilled in the member-states and the EU, made more difficult by the coexistence of different actors, interests, institutions and time.

According to Risse, Cowles and Caporaso, Europeanization is the “emergence and the development at the European level of distinct structures of governance”⁴². Featherstone notes that the EMU has changed the political agendas of national governments and has created a new institutional

³⁵ Radaelli, C. (2003). “The Europeanization of Public Policy”, in Featherstone K., and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press.

³⁶ However, further studies might explore and find cases in which local levels played a major role in defining old domestic monetary policy and subsequently in EMU, if any.

³⁷ Jones, Erik (2002). “The Politics of Economic and Monetary Union”, Rowman and Littlefield, Lanham. Dinan, Desmond (2005), “Ever Closer Union”, Rienner: Boulder., Featherstone K., and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press.

³⁸ Falkner, Gerda et al., (2005). “Complying with Europe”, Cambridge University Press: Cambridge/New York.

³⁹ Cameron, David (1998). “Creating Supranational Authority in Monetary and Exchange-Rate Policy: The Sources and Effects of EMU”, in Stone Sweet and Sandholtz eds. *European Integration and Supranational Governance*, Oxford University Press: Oxford.

⁴⁰ Jones, Erik (2002). “The Politics of Economic and Monetary Union”, Rowman and Littlefield, Lanham.

⁴¹ Jones, Erik (2002). Op cit., pag. 1.

⁴² Green Cowles, Caporaso and Risse, (2001), “Transforming Europe: Europeanization and Domestic Change”, Cornell University, Ithaca, pag. 23.

framework at the EU level⁴³. All the steps towards the EMU have been characterized by a political legitimization. However, for Featherstone the situation is complicated by the necessity of double levels of legitimization (at the national and European ones) and actors' legitimization (citizens, technocracies, elites). On the same field, Hix approaches the EMU as a policy-making area by reviewing the political science literature. In doing this, he underlines the institutional division of competences in the EMU between the EU and its member-states⁴⁴. Goetz and Hix, finally, analyze the EU as a political system, looking at the way its actors and institutions work⁴⁵. Actually, policy outcomes depend on preferences and institutions. Policy competences between the EU and its member-states are analyzed in terms of constitutional settlement with a separation between exclusive competences of the EU, shared competences between the EU and its members, coordination competences, and exclusive competences of the member-states.

4. Traditional Actors, Dynamics and Relationships on “Uploading” European Integration and “Downloading” Europeanization

In this section, I illustrate and define the actors, dynamics and the nature of the relationships involved in both the European integration and Europeanization. The traditional bibliography on “uploading” European integration posits the bottom-up creation of a supranational body of institutions, rules and procedures by the members of the European Union (EU).⁴⁶ Recently, this path has been considerably

⁴³ Featherstone, Kevin (1999). “The Political Dynamics of the Economic and Monetary Union”, in Cram et al. eds. *Developments in the European Union*, St. Martin Press.

⁴⁴ Hix (2005). “Economic and Monetary Union”, ch. 10 in *The Political System of the European Union*, 2nd ed. New York: St. Martin's Press, 2005.

⁴⁵ Goetz, K., Hix, S. (2000) “Europeanised Politics?: European Integration and National Political Systems”, Frank Cass & Co., London; Hix, S. (2005). “The Political System of the European Union”, 2nd ed. New York: St. Martin's Press.

⁴⁶ In the bibliography, there are multiple approaches on integration. **On the logic and causes of regionalism**, see Baldwin, R. (1997), “The Causes of Regionalism”, Oxford: Blackwell; Mansfield, E. Milner H. (1999), “The New Wave of Regionalism”, in *International Organizations*, 53, 3 (Summer): pgs 589 – 627; Mattli, W. (1999), “The Logic of Regional Integration: Europe and Beyond”, Cambridge University Press. **With regard political integration**, see Deutsch, K. (1957), “Political Community and the North Atlantic Area: International Organizations in the Light of Historical Experience”, Princeton University Press. Haas, E. (1964), “Beyond the nation state, the uniting of Europe”, Stanford University Press; Schmitter, P. (1969), “Three Neo-Functional Hypothesis about International Integration”, in *International Organization*, 23, 1 (Winter), pgs. 161 – 166; Sandholtz, W. Moravcsik, A. (1995), “Liberal Intergovernmentalism and Integration: A Rejoinder”, in *Journal of Common Market Studies*, 33 (4), pp. 611-628; Moravcsik, A. (1998) “The choice for Europe”, Cornell University Press, Ithaca; Stone Sweet, A. (1998), “European Integration and Supranational Governance”, Oxford: Oxford University Press; Close, P., Ohki-Close, E. (1999), “Supranationalism and the New World Order”, Barnes&Noble, Lanham; Laursen, F. (1999), “Civil Society and European Integration”, in *Annals of the AAPSS*, 565, September; Hettne, B. and Soderbaum, F. (2000), Theorizing the Rise of Regioness, in *New Political Economy*; November 5, 3; Habermas, J. (2001), “The postnational constellation : political essays”, MIT Press, Cambridge; Schmidt, V. (2004), “Democracy in Europe: The EU and National Politics” in *Journal of Common Market Studies*, 42, 4: 975 – 999; Ugur, M. (2004), “(Re)theorizing European Integration under Globalisation: A Political Economy Approach”, in *European Political Economy Review*, 2, 74-103; Sbragia, A. (2005), “Post-national democracy as post-national democratization”, in Fabbrini ed. *Democracy and federalism in the European Union and the United States*, Routhledge, New York: 167-83. **On economic integration**, see Tinbergen, J. (1954), “International economic integration”, Amsterdam: Elsevier. Gordon, L. (1956). “The Organization for European Economic Cooperation”, University of Wisconsin Press; Balassa, B. (1961), “The Theory of Economic Integration”, Homewood, Illinois: American Technical Publishers; Pinder, J. (1968), “Positive Integration and Negative Integration: Some Problems of Economic Union in the EEC”, in *World Today*, 24; Bhalla, P., Bhalla A. (1997), “Regional Blocks: Building Blocks or Stumbling Blocks?”, London: Macmillan Press; Higgott, R. (1998), “The International Political Economy of Regionalism”, in Coleman and Underhill eds, *Regionalism and Global Economic Integration: Europe, Asia and the Americas*, Routledge, London: pgs 42 – 65. **On the comparative and methodological fields**, see Nye, J. (1968), “Comparative Regional Integration: Concept and Measurement”, in *International Organization*, 22, 4 (Autumn): pp. 855 – 880; Barrera, M., Haas, E. (1969), “The Operationalization of Some Variables Related to Regional Integration: A Research Note”, in *International Organization*, 23, 1 (Winter), pp. 150 – 160; Lindberg, N. (1971), “Political integration as a multidimensional phenomenon requiring multivariate measurement”, in Lindberg and Scheingold ed, *Regional Integration: Theory and Research*, pp. 45 – 127; Dolan, M. (1975), “The Study of Regional Integration: A Quantitative Analysis of the Neo-Functionalist and Systemic Approaches”, in *International Studies Quarterly*, 19, No. 3 (September): pp. 285 – 315; Hettne, B. Inotai A. Sunkel, O.

refined with an emerging attention on “downloading” Europeanization, the top-down “domestic adaptation to the pressures emanating directly or indirectly from EU membership”⁴⁷. In integration, the independent actor is the state and its supranational intentions to create the EU, the dependent actor. In Europeanization, the EU is assumed to be an autonomous actor, able to shape policies, politics and politics of its member-states. The conventional relationship depicting actors (member-states and the EU), “Uploading” and “Downloading” dynamics and the nature of the relationship on European Integration and Europeanization is presented in the following table.

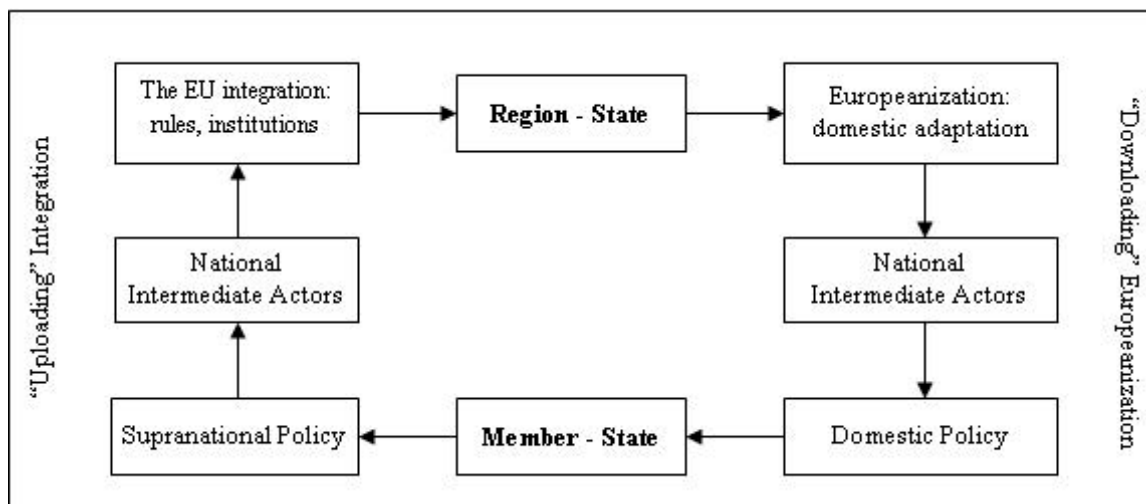


Figure. 1 – Structure, actors and dynamics in regionalism between the member states and the European Union. Adaptation from Borzel⁴⁸.

(2001), “Comparing Regionalisms: Implications for Global Development”, Palgrave: London; Murray, P. (2004), “Towards a Research Agenda on the European Union as a Model of Regional Integration”, in *Asia Pacific Journal of EU Studies*, 2, N° 1, pp. 33 – 51; **With regard the historical perspective**, see Breslin, S. Higgott, R. (2000), “Studying Regions: Learning from the Old, Constructing the New”, in *New Political Economy*, 5, 3 (November): 333 – 352; Fawcett, L. (2004), “Exploring regional domains: a comparative history of regionalism”, in *International Affairs*, 80, 3: pgs. 429 – 446. **On regionalism and peace**, see Mitrany, D. (1943/1975), “A Working Peace System: A functional Theory of Politics”, London School of Economics and Political Science; Salmon, T. (1992) “Testing Times for European Political Cooperation: The Gulf and Yugoslavia, 1990-1992” in *International Affairs*, 68 (2), 233-253; Lavdas, K. (1996), “The European Union and the Yugoslav conflict: crisis management and re-institutionalization in southeastern Europe”, in *Journal of political and Military Sociology*, 24, 334 – 353; Miller, B. (2004), “When and How Regions Become Peaceful: Potential Theoretical Pathways to Peace”, in *International Studies Review*, 7, pgs. 229 – 267.

⁴⁷ Featherstone K., and Radaelli, C. (2003:7), “The Politics of Europeanization”, Oxford University Press. **On the logic and the causes of Europeanization**, see Knill, C. and Lehmkuhl, D. (1999), “How Europe Matters. Different Mechanisms of Europeanization”, in *European Integration online Papers* (EIoP), 3, 1999-007; Radaelli, C. (2000), “Whither Europeanization? Concept stretching and substantive change”, in *European Integration online Papers* (EIoP), 4, 1-31; Cowles, M. and Caporaso, J. Risse, T. (2001), “Transforming Europe: Europeanization and Domestic Change”, Cornell University, Ithaca; Anderson, J. (2002), “Europeanization and the Transformation of the Democratic Polity, 1945-2000”, in *Journal of Common Market Studies*, 40 (5), 793-822; Buller, J. and Gamble, A. (2002), “Conceptualizing Europeanisation”, *Public Policy and Administration*, 17, 4; Schmidt, V. and Radaelli, C. (2002), “Opening the Black Box: Europeanisation, Discourse, and Policy Change”, Introduction for a Symposium Issue of *West European Politics*, manuscript; Falkner, G. (2003), “Comparing Europeanisation Effects: From Metaphor to Operationalisation”, in *European Integration online Papers* (EIoP), 7, 13; Olsen, J. (2002), “The Many Faces of Europeanization”, Blackwell, London; Featherstone, K. and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press; Bulmer S. and Padgett, S. (2004), “Policy Transfer in the European Union: An Institutional Perspective”, in *British Journal of Political Science*, 35, 103-126; Radaelli, C. (2004), “Europeanisation: Solution or problem?”, in *European Integration online Papers* (EIoP), 8, 16;

⁴⁸ Borzel, Tanja. (2005). “How the European Union Interacts with Its members”, in Bulmer and Lequesne (eds), *The Member States and the European Union*, Oxford, Oxford University Press.

“Uploading” Integration

“Uploading” European integration is the bottom-up creation of a brand new supranational body of institutions, rules and procedures by the members of the European Union (EU). It is the definition of “the rules of the game”. In integration, the independent actors are the member-states and the EU is the dependent actor. The successful accomplishment of an uploading supranational path of politics (“full integration”) represents a crucial step in the process of achieving politico-institutional homogeneity, economic performance, legal framework, and cultural convergence. Featherstone suggests that the identification of domestic inputs keen on the EU policy process properly equates to the notion of integration⁴⁹. The EU integration process is combining in a brand-new way the external projections and the internal factors of its member. It departs from the nation-state level, but it is not merely internal. It represents a bottom-up flow, but it is not a mere external factor. Integration is characterized by a double dynamic: on one side, the horizontal integration in terms of (relatively) free flows of people, goods and services in the region, due to the economic policy coordination among members. In this scheme, further, a second coordinate can be identified in the vertical integration between multiple levels of governance, the sub-national, the national and the supra-national.

Full integration is made possible by the activity of some intermediate actors bridging and mediating between domestic and supranational politics. In integration, the action of intermediate actors is analyzed with a multi-perspective focus, in terms of institutions, economic interests, and lobbying groups (neo-liberalism), norms and identities (constructivism), balance of power (realism), leadership perceptions and ideologies (the statist school). In integration, the missing approach is the societal one, because integration is supposed to be an elite-driven process. Hix identifies a plethora of domestic actors who are responsible for the EU policy process activation, like political parties, interest groups, domestic and European elections, and public opinion. Finally, the Council, being essentially formed by national governments, is more willing to accommodate member states’ interests than those of EU. Another sphere where heads of governments unite, the Council is pivotal is the definition of the treaties, the long-term rules under which EU policies have to be delivered.

In the creation phase, as well as in the subsequent phases, a member-state opens a third decisional level, the supranational policy that expands its area of responsibility. That is, with the regional project, the states have to set their decision according to three levels of policies (domestic, regional and foreign) that correspond to three different stages of the IR system (national, supranational, and international). In this way, the supranational delegation of sovereignty cannot be considered a form of masked foreign policy because in the latter, the states do not delegate sovereignty, while in the former they delegate sovereignty to the regional level. This implies a different ontology associated with a different sphere of action. Then, regional integration is changing Putnam’s two level system and Gourevitch’s second image reversed⁵⁰.

Technically, integration can be considered as an institutional reconfiguration requiring new model engineering, widely analyzed by two schools. Theoretically, researchers appear divided in two schools of analysis: on one hand, intergovernmentalists consider the EU as an international regime constituted by national interests and preferences in a bargaining game not

⁴⁹ Featherstone K., and Radaelli, C. (2003), “The Politics of Europeanization”, Oxford University Press.

⁵⁰ See Putnam, R. (1988), “Diplomacy and Domestic Politics: The Logic of Two-Level Games”, in *International Organization*, 42, 427-460 and Gourevitch, P. (1978), “The Second Image Reversed: The International Sources of Domestic Politics”, in *International Organization*, 32, 881-912.

different from the one in the International system⁵¹. On the other hand, supranationalists see the EU as a quasi-federal system, with its own nature, in neo-functionalist terms⁵².

Successful integration in monetary union means that the majority of member states met the convergence criteria in time to launch the single currency in 1999, corresponding to the stage III of the EMU. These countries are Spain, Portugal, France, Belgium, the Netherlands, Finland, Austria, Luxembourg and Ireland. Greece failed in 1999 but succeeded in 2001. However, in this list I exclude Italy and Greece because they will be considered cases in which “Skeptical Integration” prevailed in implementing the monetary union because of some Partially-Negotiable Domestic Factors (see page 28). Further, the United Kingdom, Denmark and Sweden are excluded due to their political decision not to join the monetary union at its launch. They invoked their “opt-outs” under the Maastricht Treaty, appealing for their right to use “Flexible Integration”. In these cases, Non-Negotiable Domestic Factors prevailed (see page 26). Moreover, Germany as well is excluded because it represents the unique case of “Uploading” Europeanization, due to its success to “copy-paste” the model of its central bank system to the European Central Bank, although with limits (see page 30). Finally, new Central and Eastern Europe members obtained a postponement of their entrance into the monetary union, without a definite timetable. My hypothesis, explained on page 32, is that their lack of participation in the integration stage during the 1990s – because they were not members – constitutes the main political reason of their delaying. In this sense, they were forced to a kind of “Europeanized Integration” with any power to decide about the rule of the game.

Region-State

To better define the phenomenology of regionalism, then, new concepts have been developed by the new school: regionness and region-state. Hettne and Soderbaum argue that regionness is the process through which a pre-region zone is achieving its regional awareness or consciousness, a path leading to a pan-regional identity and culture⁵³; for Bayliss and Smith, the individuation of a region through a “growing interdependence between geographically contiguous states” is an important process, because there is no “natural region”⁵⁴. For Hettne and Soderbaum, regionness can be understood in analogy with concepts such as “stateness” and “nationness”⁵⁵. According to Hix, the EU is a new political system without the classic apparatus of a state⁵⁶. In this sense, it embodies a government that does not have the monopoly of political activity, shared with its member-states.

Considering the increasing level of complexity developed in the EU since the 1990s with a renovated effort on political integration, scholars consider the EU as a prominent structure able to provoke effects into the member states. This actor has been named as a region-state, a supra-national entity voluntarily created by sovereign states, after a successful phase of intense regional-building. Region-state is defined by Ohmae “as an area developed around a regional economic center in which governments have a vital interest in propagating and enforcing the values of inclusiveness”⁵⁷. Hettne and Soderbaum refine the concept of a “region-state” that

⁵¹ In this sense, intergovernmentalists do not expand Putnam’s the two level logic. The leading scholar of this approach is Andrew Moravcsik. (1995), “Liberal Intergovernmentalism and Integration: A Rejoinder”, in *Journal of Common Market Studies*, 33 (4), pp. 611-628; Moravcsik, A. (1998) “The choice for Europe”, Cornell University Press, Ithaca;

⁵² See Alec Stone Sweet, Alec (1998), “European Integration and Supranational Governance”, Oxford: Oxford University Press.

⁵³ Hettne, B. and Soderbaum, F. (2000), “Theorizing the Rise of Regionness”, in *New Political Economy*; November 5, 3.

⁵⁴ Bayliss and Smith (2005: 376), “The Globalisation of World Politics” (Third Edition), Oxford: Oxford University Press.

⁵⁵ Hettne and Soderbaum, op. cit.

⁵⁶ Hix, Simon (2005), “The Political System of the European Union”, 2nd ed, Palgrave Mcmillan: New York.

⁵⁷ Ohmae, K. (1995: 143), “The End of the Nation State”, New York: McKinsey.

“constitute a voluntary evolution of a group of formerly sovereign national communities into a new form of political entity”⁵⁸. Stubbs underlines the geographic factor, while Katzenstein defines region-state as a concept dependent on a series of ideal, linguistic, political, social and cultural factors⁵⁹. For Schmidt, a region-state is “a union of states in which the creative tension between the Union and its member-states ensures both ever-increasing regional integration and ever-continuing national differentiation”⁶⁰.

“Downloading” Europeanization

“Downloading” Europeanization is the top-down domestic adaptation to the pressures emanating from EU membership. It means “to play the game”. In Europeanization, the EU is assumed as an autonomous actor, able to shape policies, politics and political of its members. In this sense, Europeanization is a systemic approach that evaluates the impact of the EU on the domestic politics of its members because of the growing importance accorded to the EU as a region state, able to operate actively in a number of domestic policies, politics and political. Then, after the initial state intention to transfer some pivotal policies at the supranational level (integration), now the region-state is able to cause some domestic repercussions in terms of policy adaptation by member states. As a result, in full Europeanization it is correct to assume that the EU is the independent actor, and the member-states the dependent one.

According to Hix and Goetz, studies on Europeanization are different from studies of European integration in terms of their analytical focus. On one side, studies on integration stress the process of institution-building at the European level. On the other side, an emerging approach is paying attention to the influence of supranational framework on the domestic politics of member states. Similarly, Risse, Cowles and Caporaso address their attention to “why, how and under what conditions Europeanization shapes a variety of domestic structures in a number of countries”⁶¹.

Featherstone and Radaelli define Europeanization as a “domestic adaptation to the pressures emanating directly or indirectly from EU membership”⁶². It means that Europeanization is a policy process that refers to the mediating role of the European Union in mutating domestic institutions, networks, political cultures and public policy within its members. Further, Radaelli discusses the concept of Europeanization looking at the impact of the EU politics and policies on the member-states⁶³. He proposes a taxonomy for both theoretical and empirical purposes, underlying the differences among Europeanization, convergence, harmonization, and political integration. According to Risse, Cowles and Caporaso, finally, Europeanization is the “emergence and the development at the European level of distinct structures of governance”⁶⁴.

Full Europeanization is analyzed in terms of agents and processes. Looking at the first factor, intermediate actors facilitating or hindering Europeanization are formal structures (state institutions, national legal systems, regional administrations, etc.) as well as informal structures (leadership beliefs and perceptions, relationship between government and business, public discourses, national identities, citizenship)⁶⁵. Risse, Green Cowles and Caporaso argue that, whether or not a country addresses its institutional structure to Europe depends on the presence or

⁵⁸ Hettne and Soderbaum, op. cit.

⁵⁹ Stubbs, Richard (2002), “ASEAN Plus Three: Emerging East Asian Regionalism?”, in *Asian Survey*, Vol. 42, N. 3:440-455; Katzenstein, Peter (2000), “Regionalism and Asia”, in *New Political Economy*, November, Vol. 5.

⁶⁰ Schmidt (2004: 976), op. cit.

⁶¹ Cowles, M. and Caporaso, J. Risse, T. (2001), “Transforming Europe: Europeanization and Domestic Change”, Cornell University, Ithaca;

⁶² Featherstone K., and Radaelli, C. (2003:7), “The Politics of Europeanization”, Oxford University Press.

⁶³ Radaelli, C. (2003). “The Europeanization of Public Policy”, in Featherstone K., and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press.

⁶⁴ Cowles, M. and Caporaso, J. Risse, T. (2001), “Transforming Europe: Europeanization and Domestic Change”, Cornell University, Ithaca;

⁶⁵ Cowles, M. and Caporaso, J. Risse, T. (2001), op. cit.

absence of mediating factors. They posit five mediating factors: multiple veto points in the domestic structure, facilitating formal institutions, a country's organizational and policymaking cultures, the differential empowerment of domestic factors, and learning⁶⁶.

Analyzing the processes, in successful Europeanization, scholars focus on the notion of change in the nation-states⁶⁷. In this regard, the literature identifies some intermediate processes in terms of domestic adaptation, cross-national convergence, or policy transfer⁶⁸. Particularly successful has been the "goodness of fit" approach, a situation that occurs when there is homogeneity between the domestic institutional framework and the European one⁶⁹.

When "Downloading" Europeanization is successful, EU policies enter in the domestic realm of its member-states. In the monetary union, among the old members this happened everywhere with the exception of the "opting out" states (UK, Denmark and Sweden). Looking at the new members, only Slovenia, Malta and Cyprus adopted the Euro, while all the other states obtained a postponement.

The Nature of the Conventional Relationship

At this point, it is epistemologically important to define the structure in which the actors and their dynamics described above act. As said before, in the bibliography the traditional approach to full integration posits the states as the independent actors and the EU as the dependent result; this results in a bottom-up dynamic. Further, the growing literature on "Downloading" Europeanization argues that the conventional relationship is the opposite, with the EU being the independent actor and the states being the dependent one, with a top-down stream as a result. It derives a conventional relationship that is depicted with the following chart.

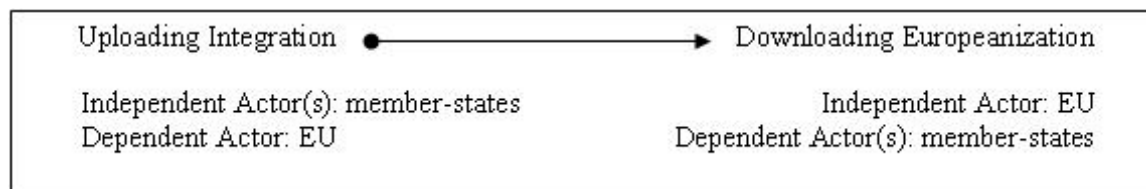


Figure 2 - Conventional relationship with actors in European Union and Europeanization processes.

This relationship is correct when both European integration and Europeanization are successful. Overall, it depicts a logical and consequential process in which member-states first integrate themselves into the EU, and secondly they are willing to play the EU game, adapting domestically to its inputs. In the case of monetary union, European integration was pursued with the inter-governmental bargain and, effectively managed with supranational method by the

⁶⁶ Green Cowles, Caporaso and Risse, (2001), op. cit.

⁶⁷ Bulmer S. and Padgett, S. (2004), "Policy Transfer in the European Union: An Institutional Perspective", in *British Journal of Political Science*, 35, 103-126;

⁶⁸ **For the bibliography of domestic adaptation**, see Green Cowles, Caporaso and Risse, (2001), op. cit.. **For the bibliography on cross-national convergence**, see Seeliger, R. (1996), "Conceptualizing and Researching Policy Convergence," in *Policy Studies Journal* 24: 287- 306; Holzinger, K. and Knill C. (2005), "Causes and conditions of cross-national convergence", in *Journal of European Public Policy*, Vol. 12, N. 5 (October), pgs. 775 – 796; Jordan, A. (2005), "Policy Convergence: A Passing Fad or a New Integrating Focus in European Union Studies?", in *Journal of European Public Policy* 12: 944-953; Knill, C. (2005), "Introduction: Cross-national Policy Convergence: Concepts, Approaches and Explanatory Factors." *Journal of European Public Policy* 12 : 764-774; Lenschow, A., Duncan L., and Sietske V., (2005), "When the Birds Sing. A Framework for Analyzing Domestic Factors Behind Policy Convergence", in *Journal of European Public Policy* 12: 797-816. **Bibliography on policy transfer** includes Bulmer and Padgett (2004), op. cit; Radaelli, C. (2000), "Whither Europeanization? Concept stretching and substantive change", in *European Integration online Papers* (EIoP), 4, 1-31.

⁶⁹ Borzel and Risse (2003) in Featherstone K., and Radaelli, C. *The Politics of Europeanization*, Oxford University Press.

European institutions. However, this crucial logic is not universal because it does not have an explanatory leverage posed by the difficulty of integration and Europeanization toward the monetary union. These difficulties, depicted above, have significant repercussions on convergence and MLG theories. These important empirical problems call for a critical revision of the conventional wisdom that I explain in the following section.

5. The Pivotal Role of N-NDFs and P-NDFs in European Integration and Europeanization

Considering the empirical problems that occurred with convergence in the EMU and other policy areas, a developing body of literature is creating theories that put under discussion (criticize) the nature of the relationship involved in integration and Europeanization, with significant repercussion on convergence and MLG. In effect, a plethora of studies suggests that in this model there is not an exact relationship between European integration and Europeanization. As a consequence, scholars see a spurious relationship between European integration and Europeanization⁷⁰. For many scholars, in fact, the difference between the two processes is not clear-cut. For Olsen, the European regionalism is constituted by multiple and coevolving processes in which the setting of dependent and independent variables is complex⁷¹. The result is a continuous linkage between the national and European models, making the distinction between integration and Europeanization porous.

Why in monetary union the path to integration and Europeanization was not straightforward? And how does it influence theorization on convergence and MLG? The UK, Denmark and Sweden “opted out” from integration and subsequently did not europeanize their domestic monetary systems; dubious Italy and Greece skeptically accepted integration. This means that the path to monetary union was difficult even for states that followed the logic of “integration first” and “Europeanization later”. Further, almost all new Central and Eastern member-states obtained a postponement of their entrance in the Eurozone. Here, I assume that these new member-states were forced to europeanize without participating in the previous step of integration. This illogical and paradoxical dynamic is echoed by an oxymoronic definition that I call “Europeanized Integration”. Even the case of Germany’s “Uploading Europeanization” of its central bank to the EU level offers insightful reflections. In sum, these cases denote that the whole project is more complicated than depicted by the traditional relationship explained above, in which member-states are pivotal in integration and the EU plays as main actor in “downloading” Europeanization.

What explains differential implementation of Monetary Union across old and new EU member-states? Why did some old members react ambivalently, some ask for derogation and others request an exceptional status? And, why did new Central and Eastern members obtain a postponement? To answer these questions, I assume that in the EMU European integration, convergence and Europeanization theories are insufficient to elucidate the path and result of monetary union. On the contrary, I propose a critical theory that synoptically explains frequent rejections that occurred in the EMU by both old and new members.

To answer all these questions, my central hypothesis is that in the EMU, Non-Negotiable Domestic Factors (N-NDFs) and Partially-Negotiable Domestic Factors (P-NDFs) play a pivotal role in both European Integration and Europeanization. N-NDFs and P-NDFs are one set of interests playing a crucial role in the contemporary nation state. In addition, N-NDFs and P-NDFs

⁷⁰ On the nature of the relationship between the member-states and the EU, see Börzel, T. and Risse, T. (2000), “When Europe Hits Home: Europeanization and Domestic Change”, in *European Integration online Papers* (EIoP), 4, 2000-015; Goetz, K., Hix, S. (2000) “Europeanised Politics?: European Integration and National Political Systems”, Frank Cass & Co., London; Börzel, T. (2002), “Pace-Setting, Foot-Dragging, and Fence-Sitting: Member State Responses to Europeanization”, in *Journal of Common Market Studies*, 40, 193-214; Featherstone, K. and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press;

⁷¹ Olsen, J. (2002), “The Many Faces of Europeanization”, Blackwell, London; Featherstone, K. and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press;

have to compete with other powerful factors, which are organized at both the domestic and EU level. Cases supporting the effect of both N-NDFs P-NDFs will be presented in the following sections.

Non-Negotiable Domestic Factors (N-NDFs) are radically or irreducibly different from the ones the EU dictates to its members. More specifically, I assume that the common denominator bringing to flexible integration and Europeanized integration is the prevalence of N-NDFs. It means that N-NDFs decisively prevail on opposition factors organized at the domestic and EU levels. With N-NDFs, domestic actors are able to set their boundaries, maintaining their ability to set political rules, establish norms, enforce regulations and guide public processes against or ignoring the EU. Here, it is important to note that they do not reject the whole EU project but only a specific policy area or issue.

On the other hand, Partially-Negotiable Domestic Factors (P-NDFs) are significantly different from the ones the EU dictates to its members. In this case, thus, during integration the domestic actors mediating between the two levels are resistant to giving up domestic influence. However, these domestic constraints are balanced by counter-pressures coming from both internal and EU levels. Therefore, P-NDFs do not decisively win the EU proneness organized at the domestic level. As a result, the country decides not to abandon completely the integration path, but at the end, given the activity of multiple, divergent, if not opposite forces, integration is weakened. I assume that prevalence of P-NDFs causes “Uploading Europeanization” and “Skeptical Integration”.

N-NDFs and Flexible Integration

What happens when N-NDFs prevail in integration? The answer to this question shows that predominance of the domestic level is also evident in a second path defined as a “flexible integration”, or “variable geometry integration”, or “external empowerment”, a path that happens when a particular rule, procedure or institutional matter of discussion is irreconcilable with its N-NDFs. As a result, the member-state voluntarily interrupts the cycle toward Europeanization, deliberately failing to achieve it. Flexible integration has been already investigated in the bibliography, but my contribution is to define this concept within my framework, considering it as a result of N-NDFs⁷². In flexible integration, the domestic actors mediating between domestic and EU levels do not participate in the definition of the EU rules because they voluntarily decide that they do not want to Europeanize in a particular policy area. In this sense, the interrupted arrow in the table denotes this dynamic. As a result, they will not be under the pressures coming from Europeanization. Three cases embody this dynamic in monetary union: The United Kingdom’s, Denmark’s and Sweden’s opting out from the Euro (see page 26). The dynamic is depicted in the following table.

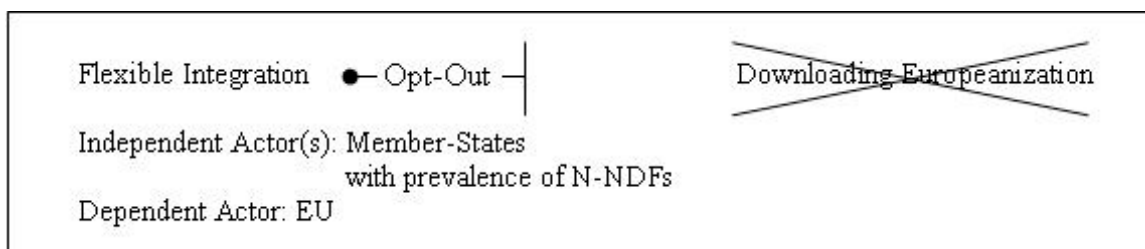


Figure 3 - Relationship with actors and dynamics in flexible integration.

⁷² **Bibliography on flexible integration** includes Stubb, A. (1996), “A Categorization of Differentiated Integration”, in *Journal of Common Market Studies*, 34, 283-295; Junge, K. (1999) “Flexibility, enhanced cooperation and the treaty of Amsterdam”, Kogan Page; Jaeger, T. (2002), “Enhanced Cooperation in the Treaty of Nice and Flexibility in the Common Foreign and Security Policy”, in *European Foreign Affairs Review*, 7, 297-316; Stubb, A. (2002) “Negotiating flexibility in the European Union: Amsterdam, Nice and beyond”, Palgrave, London; Warleigh, A. (2002) “Flexible Integration: Which Model for the European Union?”, Sheffield Academic Press.

P-NDFs and Skeptical Integration

What happens when P-NDFs prevail in integration? I assume that prevalence of P-NDFs causes “Skeptical Integration” and “Uploading Europeanization”. In skeptical integration, member-states in which P-NDFs prevail act as independent actors unwilling to promote further integration, as in the case of N-NDFs. However, the domestic pressures of other actors pushing for further integration counterbalance the anti-EU position, with the result that the integration path for that country is not interrupted. In the next scheme, the broken arrow denotes an accomplished but skeptical integration. Italy’s and Greece’s dubious implementation of the Euro not followed by adequate structural reform represents two examples in which P-NDFs caused an unconvinced adoption of the Euro (see page 28).

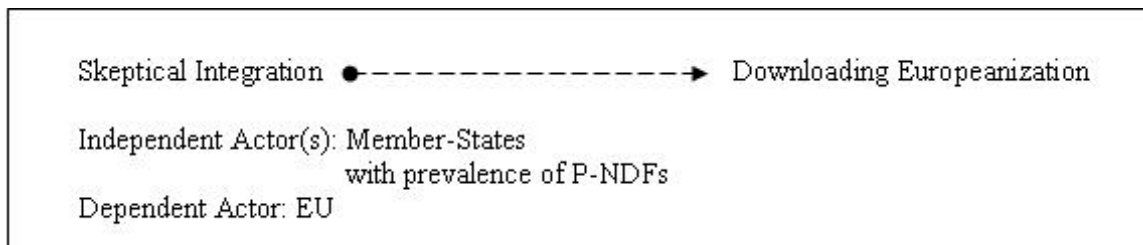


Figure 4 - Relationship with actors and dynamics in skeptical integration.

P-NDFs and Uploading Europeanization

“Uploading Europeanization” is a process that occurs during uploading integration in which P-NDFs play a major role. The reason whereby uploading Europeanization coexists with uploading integration is not contradictory because in upward Europeanization, during the definition of the EU rules and institutions, a member-state tries to transfer to the European level one of its institutions. This happens because the member does not want to get rid of sovereignty or a successful institution which is performing particularly well in its domestic realm and thus could be considered as an example to be adopted in the EU. Departing from this premise, the member tries to “copy-paste” its institution to the EU, claiming its “goodness of fit” in the EU ⁷³. In this model, the “leading member” acts as the sole independent player, while the other states and the EU are the dependent players. However, the inevitable confrontation with other members leads to a negotiation that does not block the leading member from uploading its model but imposes some restrictions. In this way, the initial intention propelled by the leading member becomes partially negotiable. The overall result is downloading Europeanization, this meaning that the EU frames policies through an institution built upon a model picked from one of its members. In the EMU, this approach works especially with Germany that was able to upload its central bank model to the EU level during the earlier negotiations, notwithstanding some resistance of other members (see page 30).

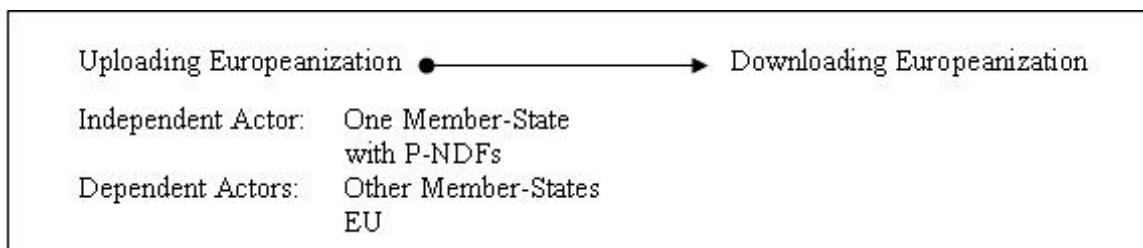


Figure 5 - Relationship with actors and dynamics in Uploading Europeanization.

⁷³ Goodness to fit has been elaborated in two separated articles. Börzel, T. and Risse, T. (2000). “When Europe Hits Home: Europeanization and Domestic Change”, in *European Integration online Papers (EIoP)*, 4, 015; and Börzel, T. and Risse, T. (2003). “Conceptualizing the Domestic Impact of Europe”, in Featherstone and Radaelli eds., *The Politics of Europeanization*, Oxford University Press.

N-NDFs and Europeanized Integration

Finally, I suggest that the prevalence of N-NDFs is a situation that can also occur in downloading Europeanization. In this sense, I examine how N-NDFs organize themselves to oppose policies coming from the EU. Europeanized Integration espouses the view that Europeanization alone cannot adequately explain the evolution of the European Union especially with regard to new Central and Eastern members. Here, as shown in table 5, I assume that in a given policy area new member-states perceive that they are forced to Europeanize because they did not participate in the previous step of integration, they were not members as yet at that time. Once members, however, they consider the opportunity to exercise their negotiation power eventually opposing Europeanized policies that do not fit with their domestic realms and that they did not participate in deciding. In this sense, Europeanized Integration is an oxymoronic definition capturing this illogical and paradoxical dynamic involving new member-states. In Europeanized Integration, therefore, the domestic actors mediating between the two levels are not able – or not willing – to accommodate in the domestic sphere the inputs coming from the region-state, playing a pivotal role in redirecting the strategic choices posed by Europeanization.

Every failure or delay in Europeanizing like Europeanized Integration creates problems in the entire process that cannot be considered an isolated exception, or lack of domestic adaptation, or an undesired externality or a mere disagreement with the dictates coming from the EU as a region-state. Therefore, with Europeanized Integration I suggest a fluctuating and co-evolving (not only unidirectional) relationship between EU and its members in Europeanization. Europeanized Integration demonstrates how N-NDFs can reverse the direction of the relationship in Europeanization, when the State is the independent actor able to shape the EU. The best example of Europeanized Integration involves almost all new Central and Eastern member-states (with the exception of Slovenia, Malta and Cyprus) that obtained a postponement of their entrance into the Eurozone.

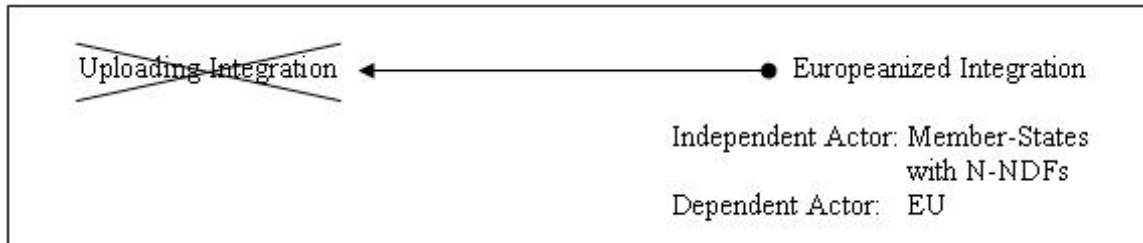


Figure 6 - Relationship with actors and dynamics in Europeanized Integration.

A Synoptic View of the Relationships

Table 6 summarizes the nature of the new relationships explained above. The chart shows the unit of analysis, the independent and the dependent actors in the EU regionalism. The result is a new synthesis of the whole process, with the state at the center of the stage for two reasons. Looking at integration, the predominance of the domestic level is demonstrated in many ways. In integration, *per definition*, states set the rules of the games, no matter if they fully integrate, have a skeptical attitude due to prevalence of P-NDFs, or decide to opt out because of N-NDFs. Furthermore, the predominance of the domestic sphere is real in Uploading Europeanization and Europeanized Integration. On the other hand, only in Downloading Europeanization is the EU able to lead policy setting. In the following section, this synoptic approach will be applied to empirical cases of monetary union.

The Units of Analysis	The Independent Actor(s)	The Dependent Actor(s)
Uploading Integration	Member – States	The European Union
Flexible Integration		
Skeptical Integration		
Europeanized Integration		
Uploading Europeanization	One Member – State	Other Member-States The European Union
Downloading Europeanization	The European Union	Member - States

Figure 7 – The unit of analysis, the independent and the dependent actors in the EU regionalism.

Critical Theories on Europeanization

The concept of Europeanized Integration moves in the direction of investigations on unsuccessful or critical Europeanization. In effect, there is growing critical literature showing that states are far from a “stateless EU”, with states sometimes still rejecting a submissive attitude to the EU. In this sense, Busch provides useful suggestions about the condition under which Europeanization does not affect domestic policy patterns in banking systems⁷⁴. Further, looking at Common Agriculture Policy (CAP), Fougilleux and Cini analyze how domestic change induced by the EU can be limited if it goes against the preferences of national intermediate actors who have the capacity to resist⁷⁵. This critical literature reflects on the equilibrium, the reciprocal position and the direction of the dynamics between the two entities under investigation, that is to say, the member-states and the EU.

In fact, looking at the Europeanization of old members, Falkner et al. critically approach it from a legal perspective, confirming that “one-size-fits-all are neither politically feasible nor normatively desirable”⁷⁶. The concept of legal harmonization within the EU is hindered by the need of required flexibility asked by members’ governments. Even Featherstone and Radaelli who optimistically define Europeanization as a “process of structural change variously affecting actors and institutions, ideas and interests”⁷⁷, admit a possibility of a minimal response in terms of policy inertia or economic retrenchment by the member-states to the political pressures coming from the EU⁷⁸. In various important

⁷⁴ Busch, Andreas (2004). “National Filters: Europeanisation, Institutions, and Discourse in the Case of Banking Regulation”, *West European Politics*, Vol.27, No.2 (March), pp.310–333.

⁷⁵ Fougilleux, Eve.(2003). “The Common Agricultural Policy”, in Cini *European Union Politics*, Oxford University Press

⁷⁶ Falkner, Gerda et al., (2005). “Complying with Europe”, Cambridge University Press: Cambridge/New York, pag. 1.

⁷⁷ Featherstone K., and Radaelli, C. (2003) “The Politics of Europeanization”, Oxford University Press, pag. 35.

⁷⁸ Outside Monetary Union, old members provided other examples where predominance of N-NDFs causes failures in Downloading Europeanization and finally canalizes in un-adaptive integration. The first example is the German management of the Balkan crisis, where the pursuit of a Non-Negotiable “great power” foreign policy by its government nullified the task of any EU common foreign policy, not pursuing the goal to be a pacifier and democratic promoter. The second case is the French refusal to ratify the European constitution via popular referendum,

contributions, Dyson underlines the different strategies placed on the EMU by domestic elites, examining the creation and negotiation of the 1991-2 EMU agreement and looking particularly to the domestic policy-making of its leading members⁷⁹. In the EMU, policy convergence is seen as dependent upon the fluctuating interactions between 'top-down' and 'bottom-up' dynamics. For Dyson, the result is a “differential Europe” or “elusive Europeanization”.

Considering critical Europeanization in new members, Goetz adopts the “family of nations” cultural perspective to criticize convergence and Europeanization of policy-making⁸⁰. He develops a critical approach, looking at cases in which non-convergence is caused by territorial and temporal constraints. Goetz defines national trajectories along different criteria, individuating the North-Western core of founding members, with Southern, Central and Eastern European countries, making only possible a mere “clustered Europeanization”. Grabbe argues that Europeanization operating in applicant countries is characterized by an asymmetry of power, because they are subject to pressures without the possibility to influence EU policy-making from the inside⁸¹. As a result, new Central and Eastern members act under the effect of “uncertain Europeanization”. Finally, Dyson, in a pivotal contribution, looks at the difficult entry of East-Central Europe into the Eurozone, characterized by political strategies developed to temporally delay their entry into the monetary union⁸². As a result, “paradoxical Europeanization” is defined as a dynamic in which Europeanization is extreme but limited, causing uncertainty in the convergence process and institutional reform.

Critical Theories on Convergence and MLG

Before the presentation of the cases, I clarify how the complex system of the relationships involved in integration and Europeanization have significant repercussions on convergence and MLG. Members asking to opt out, skeptical members searching for derogation and new members asking for procrastination made the real process more fragmented than expected by policy makers. As a result, then, one of the most interesting analytical results of this fragmentation has been the development of critical convergence and critical MLG theories. Therefore, following this discussion, it can be observed that in the EU it is not difficult to find N-NDFs that impede cultural, institutional and economic integration and Europeanization, destabilizing also convergence in the direction of policy fragmentation in both in theoretical and empirical terms⁸³.

In this regard, Jordan provocatively asks if policy convergence is a real and effective process followed by an enduring study agenda by EU scholarship or a debatable passing

demonstrating how Non-Negotiable societal vetoes can reverse the direction of the relationship in Europeanization, being the State the independent actor, not the EU.

⁷⁹ Dyson, K., (1994), “Elusive Union: The Process of Economic and Monetary Union in Europe”, Longman, London; Dyson, Kenneth (2000) “EMU as Europeanization: Convergence, Diversity and Contingency”, *JCMS: Journal of Common Market Studies* 38 (4), 645–666; Dyson, Kenneth ed. (2002). “European States and the Euro: Europeanization, Variation and Convergence”, Oxford, Oxford University Press, 2002.

⁸⁰ Goetz, Claus (2006). “Territory, Temporality and Clustered Europeanization”, Institute for Advanced Studies, Political Science Series, Vienna.

⁸¹ Grabbe, Heather (2002), “Europeanisation Goes East: Power and Uncertainty in the EU Accession Process”, paper for the ECPR Joint Sessions of Workshops, Turin 22 – 27 March.

⁸² Dyson, Kenneth (2007). “Euro Area entry in east-central Europe: Paradoxical Europeanisation and clustered convergence”, in *West European Politics*, 30:3, 417 – 442.

⁸³ Knill, C. (2005), “Introduction: Cross-national Policy Convergence: Concepts, Approaches and Explanatory Factors.” *Journal of European Public Policy* 12: pag. 768.

fad⁸⁴. With reference to the old members, Börzel creates a typology of member state responses to policy convergence⁸⁵. For her, states are more likely to engage in “pace-setting” when they try to actively push their domestic policies and institutions at the EU level. However, the other two typologies express all the problems about partial convergence. “Foot-dragging” is exactly the opposite of pace-setting, because it is aimed to contain the attempt of other states to upload their domestic policies to the EU level. Finally, “fence-setting” is an ambivalent strategy, mixing indifferent, inertia or neutral attitudes toward policy convergence. With regard to the problems that occurred with the recent enlargement of new Central and Eastern members, Dyson proposes the concept of clustered convergence, that is, in the EMU convergence is visible only in groups of countries, such as the Baltic states, the Visegrad States, and Slovenia⁸⁶. With clustered convergence, Dyson analyzes multiple sources of uncertainty among members, such as geo-strategic differences, diverse economic structures, different legacies from Communist era, difficulties to conform to the convergence criteria, and the role of political parties and structure of political competition. Furthermore, Tumpel-Gugerell and Mooslechner underline the risk that policy convergence in a geopolitical periphery like Central and Eastern Europe, where countries have economically to catch up with respect to the core members, might become a divergence, or, at least, nominal convergence⁸⁷.

In Europe not only convergence, but also the emergence of an MLG system (EU, states, states/regions, and local communities) call for innovative ways of collaboration and coordination among actors. In this way, MLG, European integration and Europeanization correctly understand these dynamics ahead of trends of the decentralization of agenda setting and devolution. Following the MLG logic, in supranational policies like the monetary union, states are decentralized actors whose role is to implement policies dictated at the EU level especially by the European Central Bank.

However, with the critical dynamics explained above, the symbiosis between MLG, European integration and Europeanization is at risk, because the development of collaborative patterns is not always clear. To this regard, much less recognized is member-states recentralization, provided by N-NDFs and P-NDFs that act as centrifugal forces leading to elusiveness in terms of level of competences. In this way, intricate patterns of MLG are not consolidating but, on the contrary, disappearing. MLG can be obstructed by N-NDFs and P-NDFs in integration, during the setting of the rules, and Europeanization, during the implementation of the rules. Therefore, if MLG efficacy is limited by N-NDF, then a theory on limited or fragmented MLG might become a predominant – and not solely a secondary order explanation – explaining the problematic functioning of the EU system.

6. The Structured Focused Comparison for the Study of the Illustrative Cases

In the last sections, I take into consideration cases in monetary policy where effects that the members caused to the EU because of their defense of N-NDFs and P-NDFs in European Integration and Europeanization are evident. In which it is evident the effects that the members caused to the EU because of their defense of N-NDFs and P-NDFs in European

⁸⁴ Jordan, A. (2005), “Policy Convergence: A Passing Fad or a New Integrating Focus in European Union Studies?”, in *Journal of European Public Policy* 12: 944-953;

⁸⁵ Börzel Tania (2002), “Pace-Setting, Foot-Dragging, and Fence-Sitting:”, in *Journal of Common Market Studies*, 40, 193-214;

⁸⁶ Dyson, K. (2007). “Euro Area entry in East-Central Europe: Paradoxical Europeanisation and Clustered convergence”, *West European Politics*, Vol. 30, No. 3, 417 – 442, May.

⁸⁷ Tumpel-Gugerell, Gertrude and Mooslechner, Peter (2003), “Economic Convergence and Divergence in Europe: Growth and Regional Development in an Enlarged European Union”, Edward Elgar: Cheltenham.

Integration and Europeanization. In approaching the study of the cases, I use the “method of structured focused comparison” developed by George and Bennett, with the identification of a series of transversal questions/indicators that I have listed below in the following chart ⁸⁸: Q1: What member-state? Q2: What strategy did it adopt toward monetary union? Q3: In which time frame? Q4: In which process? Q5: What type of domestic factors prevailed? Q6: What is the nature of the domestic factor? Q7: What domestic actor promoted the factor?

Member State	Strategy toward monetary union	Time Frame	Process	Type of Factors	Nature of Factors	Domestic Actors
UK	Opting Out	1992 – now	Flexible Integration	N-NDFs	Leaders Beliefs	Governments
Denmark Sweden					Citizens Beliefs	Society
Italy Greece	Ambivalent	1992 – 1999	Skeptical Integration	P-NDFs	Policy Heritage	Parties, Bureaucracy
Germany	Leading		Uploading Europeanization		Goodness to fit	Governments
Central and Eastern Members*	Postponement	2005 – now	Europeanized Integration	N-NDFs	Lack of Integration	Governments

Figure 8 – Structured and focused indicators for the comparative studies of the cases.

* With the exception of Slovenia, Malta and Cyprus

To validate my hypothesis, in the following section I will analyze two examples provided by two old members where predominance of N-NDFs causes flexible integration. I specifically analyze the United Kingdom’s, Denmark’s and Sweden’s *opting out* in 1992 from monetary union. N-NDFs provoking flexible integration were leadership beliefs within various governments in the case of the UK and society beliefs in the cases of Denmark and Sweden. Looking at skeptical integration, in section eight I present the cases of Italy’s and Greece’s dubious attitudes toward monetary union. According to my approach, these ambivalent attitudes toward the Euro were caused by P-NDFs like policy heritage resistant to reform promoted by parties in Italy and inefficient bureaucracy in Greece. Section nine will be dedicated to the presentation of the partial German success in the enterprise of uploading its Deutsche Bank model to the European Central Bank because Germany was obliged to negotiate its domestic proneness to act as a policy leader in setting monetary policy.

In the final section, I will highlight a case in which Europeanization is made difficult by N-NDFs, which led to new members of Central and Eastern Europe asking for and obtaining a successful entrance delay into the Eurozone. I suggest that the lack of an integration process brought about a forced and subsequently unsuccessful Europeanization. Therefore, asking for a postponement was the only option they had in redefining and negotiating “fit” and exercising some sort of power politics in bargaining with other members.

⁸⁸ George and Bennett (2005), “Case Studies and Theory Development in the Social Sciences”, BCSIA, Cambridge. On the necessity to compare taking into consideration some qualitative dimensions, they follow Przeworski, A., Teune, H., (1970), “The logic of comparative social inquiry”, Wiley-Interscience: New York.

7. When Non-Negotiable Domestic Factors Prevail in Flexible Integration: The Case of UK's, Denmark's and Sweden's "Opting Out" from the EMU

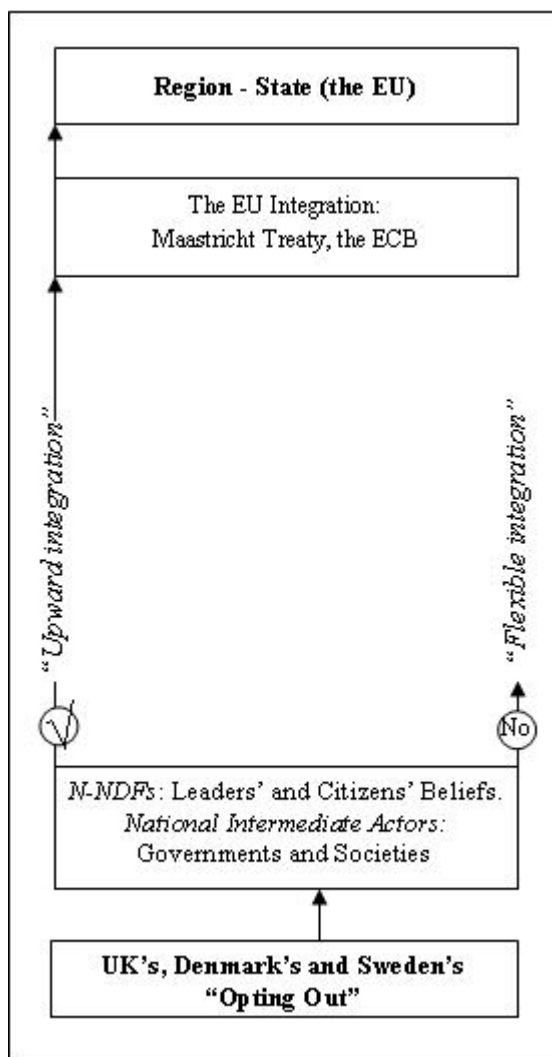


Figure 9 – Actors, N-NDFs and dynamics in flexible integration.

During the definition of the rules in monetary union, the UK, Denmark and Sweden made a political decision not to join the Euro at its launch. Denmark and the UK invoked their opt-outs under the Maastricht Treaty, while Sweden decided just not to join. These members decided to stay out, due to the obstinate prevalence of some different N-NDFs. In opting out, N-NDFs provoking flexible integration and impeding subsequent downloading Europeanization are leadership beliefs in the case of the UK and society beliefs in the cases of Denmark and Sweden. Thus, the nature of N-NDFs is dissimilar, but the result is the same.

The United Kingdom's *opting out* since 1992 from the European Monetary Union (EMU) is a case in which Non-Negotiable national leadership perceptions and ideologies were able to affect the EU in the delicate process of monetary integration. These Eurosceptic positions have historic roots that can be individuated in the European Monetary System (EMS) established in 1979. EMS had success in maintaining stability in the exchange rates of the system and reducing inflation within states. However, the United Kingdom, France and Italy criticized the centrality of the prominent position of the Deutschmark in the EMS, creating asymmetries within the EMS and constraints at the domestic level. They had good reasons, because the United Kingdom Sterling (and the French Franc indeed) especially was strong in the world

currency system and able to survive and compete independently. Despite these criticisms, a new debate started at the beginning of 1988, due to the intention to promote further monetary union. Especially in Great Britain, more tensions grew in June 1988 after the statement provided by German governmental elite reemphasizing the centrality of Deutschmark in the EMS⁸⁹.

At that time, Great Britain's conservative and "Eurosceptic" government led by Margaret Thatcher was experiencing an internal crisis caused by the opportunity to enjoy the monetary union because the launch of the EMU required new policy agendas in national government, the

⁸⁹ Featherstone K., (1999), "The Political Dynamics of the Vincolo Esterno: the Emergence of EMU and the challenge to the European Social Model", Queen's Papers on Europeanisation N 6/2001.

promotion of some actors to the detriment of others, and a new institutional architecture for the states. Thatcher strongly disagreed with the EMU because it was considered premature⁹⁰. Specifically, domestic pressures to stay out of the Eurozone were defined by the executive in terms of domestic “flexibility” on monetary policy and credibility of the government⁹¹. As a result, London in 1989 proposed a parallel monetary architecture with two currencies - one hard and one soft - that did not find any support among other states⁹². Then, in 1992 during the negotiation on the Maastricht treaty that the EMU proposed, her government secured the possibility to exercise *opt out* from the stage in which the single currency would be established⁹³.

A number of studies examine the creation and negotiation of the 1991-2 Economic and Monetary Union agreement, looking particularly to the domestic policy-making of its leading members⁹⁴. Not surprisingly, John Major’s Eurosceptic government that followed Thatcher decided to maintain this general orientation. However, the election of the Labour Government led by Tony Blair in 1997 renovated hopes for an opening of the UK to enjoy the EMU but his chancellor Gordon Brown declared that the government would “wait and see”, following a politics of “catch-up”, because the UK was not ready for the EMU⁹⁵. At the end of the Labour’s second term, no referendum was held on this issue. As a result, the suspicion of leadership that extending powers to supranational institutions would lose political support at the domestic level caused Great Britain’s conditional engagement in the EU⁹⁶. This implies that the UK policymakers had found a number of indirect means to influence monetary policy-making in the Eurozone but never wanted to get rid of their domestic currency, deliberately rejecting the Europeanization of UK’s monetary policy.

The UK’s *opt out* cannot be considered only an exception because other states such as Denmark and Sweden adhered to it, according to a mechanism named “spillover”⁹⁷. They decided to opt out after they held referenda on Euro membership in 2000 and 2003. Due to negative results in the referenda, they are unlikely to join the Euroclub in the near future. The Danish and Swedish citizens’ refusal to ratify monetary union is a domestic input coming from society obstinately defending some N-NDFs. Swedish citizens in 2003 rejected membership despite an enthusiastic campaign promoted by its government, especially in rural areas, where voters were most unfavorable to the Euro⁹⁸. Sweden has gained a de facto opt-

⁹⁰ Gamble, Andrew. Kelly, Gavin (2002), “Britain and EMU”, in Dyson ed., *European States and the Euro*, Oxford: Oxford University Press.

⁹¹ Kavanagh D., Richards D., Smith M., Geddes, A. (2006), op. cit.

⁹² Featherstone, K. (1999), op. cit.

⁹³ **Bibliography on *opt out*** includes Geyer, R., Beverly S., (1998), “EU Social Policy after Maastricht: The Works Council Directive and the British Opt-Out”, in Laurent, Maresceau eds, *The State of the European Union: Deepening and Widening*, London, Boulder; Larsen, H., (2002), “Denmark and the EU’s Defense Dimension: Opt-Out Across the Board?”, in eds Larsen, Graeger and Ojanen, *ESDP and the Nordic Countries: Four Variations on a Theme*, Helsinki and Berlin, The Finnish Institute of International Reforms; Sion, Maya (2004), “The Politics of Opt-Out in the European Union: Voluntary or Involuntary Defection?”, in eds. Cashin and Jirsa, *Thinking Together*, Vienna, IWM Junior Visiting Fellows’ Conferences, Vol. 16.

⁹⁴ Dyson, K., (1994), “Elusive Union: The Process of Economic and Monetary Union in Europe”, Longman, London; Johnson (1996), Featherstone, K., (1999), op. cit.; Kavanagh D., Richards D., Smith M., Geddes, A. (2006), “British Politics”, Oxford University Press, Oxford.

⁹⁵ Kavanagh D., Richards D., Smith M., Geddes, A. (2006), op. cit.

⁹⁶ *ibidem*, 2006.

⁹⁷ Then, opting out became a procedure that the EU was obliged to ban for future new members. Further, opting out has been used in immigration policy, such as in the Schengen treaty.

⁹⁸ See McNamara. Kathleen (2005). “Economic and Monetary Union”, in Wallace et al. ed., *Policy-Making in the European Union*, Oxford: Oxford University Press. See also Hix, Simon(2005). “Economic and

out in exploiting a legal loophole by not working to meet the criteria to join, and hence not being able to adopt the currency, as it is obliged to ⁹⁹.

Also, the Danes voted narrowly in a referendum in 2000 to stay outside. Differently from the UK, in Denmark the political elite was firm in recommending entry, however the result was a resounding rejection. Danish society, in fact, was worried about the consequences of a common currency on social security with fear of cuts in social welfare. Furthermore, they wanted to protect their national identity and sovereignty against the prominent role of neighboring Germany in managing the Euro, not wanting to appear as a mere satellite state of it ¹⁰⁰.

8. P-NDFs Prevalence in Skeptical Integration: Italy and Greece Between the EMU as an “External Tie” and Lack of Structural Reform

In the early 1990s, immediately after its creation, the EU was increasingly preoccupied with the capacity of the applicant to fulfill the accomplishment of its policies ¹⁰¹. The constraints imposed by the EU were particularly impervious for Italy and Greece due to their historical “lack of fit”. As a result, Italy and Greece reacted ambivalently toward the monetary union. In effects, Italy’s and Greece’s uncertain implementation of provisions coming with the Euro, not followed by adequate structural reform, represent two examples of “skeptical integration”. These dubious attitudes toward the Euro were caused by Partially-Negotiable Domestic Factors (P-NDFs) such as internal policy heritage promoted by powerful parties and oriented against reform. These constraints did not prevent the adoption of the Euro because other domestic actors intended monetary union as an endogenous pressure (“external tie”) to decisively promote Euro adoption.

For Italy, the constraints imposed by the monetary union were particularly difficult for three reasons: an institutional “lack of fit”, Italy’s highest public debt among the members at that time and the presence of powerful parties against reforms ¹⁰². On the EMU, Italy maintained a skeptical position essentially due to internal political institutions’ resistance to any reform and because of a disastrous fiscal policy ¹⁰³. On the institutional side, Italian management of public finances has been conditioned more by coalition governments (the so

Monetary Union”, ch. 10 in *The Political System of the European Union*, 2nd ed. New York: St. Martin’s Press, 2005.

⁹⁹ Denmark and the United Kingdom obtained special derogations in the original Maastricht Treaty of the European Union. Both countries are not legally required to join the Eurozone unless their governments decide otherwise, either by parliamentary vote or referendum.

¹⁰⁰ See McNamara, Kathleen (2005). “Economic and Monetary Union”, in Wallace et al. ed., *Policy-Making in the European Union*, Oxford: Oxford University Press. See also Hix, Simon (2005). “Economic and Monetary Union”, ch. 10 in *The Political System of the European Union*, 2nd ed. New York: St. Martin’s Press, 2005.

¹⁰¹ Nicolaïdis, K., “Regional Policy Externality and Market Governance: Why Recognize Foreign Standards?”, in *Journal Of European Public Policy*, August 2001.

¹⁰² Sbragia, A., (2001), “Italy Pays for Europe: Political Leadership, Political Choice, and Institutional Adaptation”, in eds Cowles, Risse, *Transforming Europe. Europeanization and Domestic Change*, Cornell University, Ithaca, pp. 79-98.

¹⁰³ Ibidem.

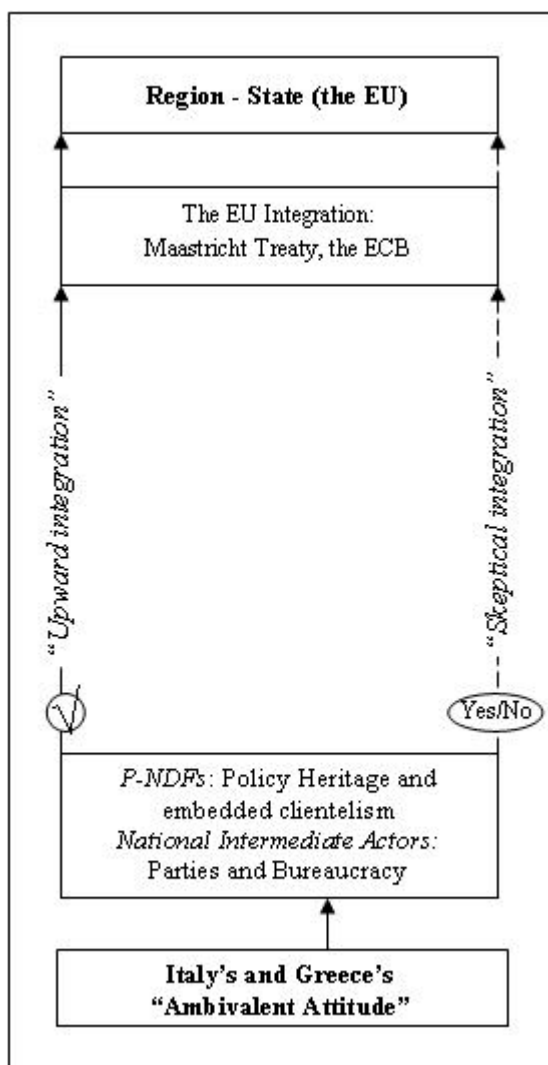


Figure 10 – Actors, N-NDFs and dynamics in skeptical integration.

called “partitocrazia”, power to the parties)¹⁰². Parties showed little interest in limiting the deficit, ignoring any institutional opportunity to reduce the public debt¹⁰³. In fact, in the Italian parliamentary system, the Prime Minister is institutionally weak and could do little to enforce fiscal discipline¹⁰⁴.

As a result, Fabbri says that Italy’s path to the EMU has been paved by adjustment processes characterized by schizophrenic governments’ turnover associated with the lack of fundamental institutional reforms and the adoption of a “copying mechanism”¹⁰⁵.

Another school affirms that Italy was able to gain advantages by turning the risk to be excluded by the monetary union into the possibility to promote domestic reforms¹⁰⁶. In this sense, during the phase of bargaining rules of the EMU, Italy’s fears of having little chances to maintain the rhythm of the other members toward a deeper integration has been strategically turned upside down by Italian technocratic leadership that interpreted the inevitability of the EMU as a stimulus to domestic reform and modernization, restraining the indiscipline of parties and their clientelism¹⁰⁵. Basically, these actors were influential public-finance core decision-makers with no formal links to the parties but executing important macroeconomic strategies for the country¹⁰⁶. In a state with little bargaining capabilities in the EMU due to a weak national currency (the Lira), the domestic

¹⁰⁴Fabbri, S., (1995), “Italy: the Crisis of an Oligarchical State”, in McCarthy ed, *Disintegration or Transformation? The Crisis of the State in Advanced Industrial Societies*”, New York: St. Martin Press, pgs 65-84.

¹⁰⁵Fabbri, Sergio (1998). “Due anni di governo Prodi: un primo bilancio istituzionale”, *Il Mulino*, 47/378: 657-72; and Fabbri, Sergio (2000), “Parlamento, governo e capo del governo: quali cambiamenti?”, in Di Palma, Freddi and Fabbri (eds), *Condannata al successo? L’Italia nell’Europa integrata*, Bologna: Il Mulino.

¹⁰⁶Dyson, K. and Featherstone, K. (1996), “Italy and EMU as a “Vincolo Esterno”: Empowering the Technocrats, Transforming the State”, in *South European Society and Politics*, 1, 272-299.

¹⁰⁷Radaelli, Claudio (2002). “The Italian State and the Euro: Institutions, Discourse, and Policy Regimes”, in Dyson ed. *European States and the Euro: Europeanization, Variation and Convergence*, Oxford, Oxford University Press; and Radaelli, C., Franchino, F. (2004), “Analyzing political change in Italy”, in *Journal of European Public Policy*, 11, 941-953.

¹⁰⁸Sbragia (2001), op. cit.

interpretation of the EMU as an *external tie* enabled a better macroeconomic policy and regulatory reforms ¹⁰⁹. *External tie* is considered by the integration scholarship as a case of external empowerment, because technocratic elites interpreted the EMU as an inevitable and endogenous source able to promote domestic reform. In sum, *external tie* worked as a strategic opportunity used by regime-dependent players such as technocrats to annihilate other domestic actors, i.e. powerful Italian parties were forced to negotiate and rectify their initial opposition ¹¹⁰. In a sentence, for Italy, reform-oriented technocracies and the concomitant resistance of P-NDFs accomplished a limited external empowerment with the formal adoption of the Euro within the allotted time frame but it was accompanied by a substantial lack of domestic reforms to cope with it.

Not only Italy but also Greece skeptically deal with the possibility of postponing its entrance into the EMU, due to lack of prerequisites. After an initial decision to opt out, in 1999 Greece in fact adhered to ERM II, in 2000 it qualified for the monetary union and finally it has been part of the Euroarea since 2001. However, using rational choice institutionalism, Featherstone, Kazamias, and Papadimitriou emphasize that Greek technocrats' attempted to use the EMU as a strategy for domestic reform but failed especially because of bureaucratic fragmentation, weakness of supporting "advocacy coalition" and embedded clientelism ¹¹¹. These domestic actors acted following some P-NDFs leading to a slow adaptation process toward the Euro. Italy experienced a similar outcome, therefore skeptical integration might be depicted as the Southern European countries way to cope with the EMU.

9 When Partially-Negotiable Domestic Factors Prevail in Uploading

Europeanization: Germany's Leadership Ambitions on the EMU

During this negotiation step, in monetary union there was room for a unique case of "Uploading" Europeanization, referring to the German success to transfer the model of its central bank to the European Central Bank (ECB). Germany, a leading member supporting the EMU, uploaded its Bundesbank system in terms of emulating its constitutional designs to the EU level. However, negotiations between Germany, France and other members show that Germany was successful only in part in this enterprise because it was obliged to partially negotiate its domestic proneness to play as a policy leader in setting monetary policy.

There are some reasons according to which Germany promoted its central bank system as a model for the EU. Firstly, Germany did not want to lose the advantages of having a strong currency like its Mark searching for monetary adventures in the EU ¹¹². Secondly, the EMU is almost contemporary to two other parallel processes: the delicate reunification of Germany in 1989-90 and the decisive evolution from the European Community (EC) to the

¹⁰⁹Della Sala, V. (1997), "Hollowing out and hardening the state: European integration and the Italian economy", in *West European Politics*, 20, 14-33.

¹¹⁰ Dyson, K. and Featherstone, K. (1996), op. cit.

¹¹¹ Featherstone, K., Kazamias, G., Papadimitriou, D., (2001), "The Limits of External Empowerment: EMU; Technocracy and Reform of the Greek Pension System", in *Political Studies*, VOL 49, 462 – 480.

¹¹² Bulmer, Simon. Paterson, William (1996). "Germany in European Union: Gentle Giant or Emergent Leader?", in *International Affairs*, Vol. 72, No.1 (January), pp. 9-32.

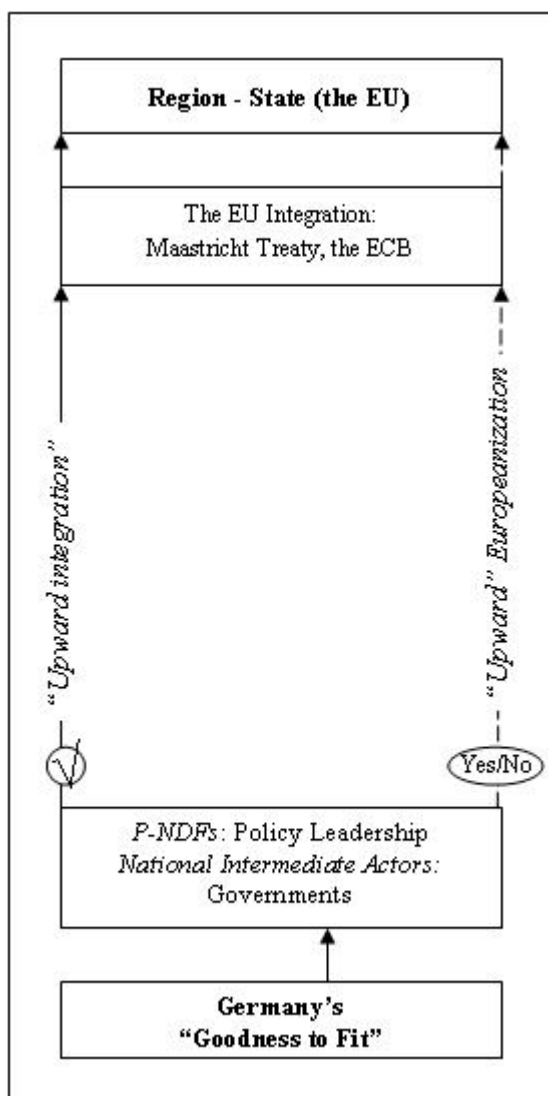


Figure 11 – Actors, P-NDFs and dynamics in Uploading Europeanization.

European Union (EU) in 1992, with the Maastricht treaty. Therefore, the EMU offered to a recently reunified Germany in the recently born EU the possibility to play a role of regional leader in economic and political realms. Thirdly, another institutional explanation refers to the “goodness to fit” approach elaborated by Börzel and Risse to explain successful policy implementation, a situation that occurs when there is homogeneity between the domestic institutional framework and the European one ¹¹¹. Under the EMU, this approach works better in the German and French cases, when the two countries tried to upload their respective central bank models to the EU level.

For Bulmer and Padgett, although the EU is an optimal platform for policy transfer, in reality stronger forms of policy transfer occur in more highly institutionalized governance regimes, like Germany ¹¹². Looking at cultural explanations and policy inheritance, Dyson stresses the importance of Ordo-liberal domestic ideology, that promoted the EMU as a convergence process, i.e. the Europeanization of the German model of economic stability, while at the same time searching for a new role for the Bundesbank with less powers ¹¹³.

France acted willingly to share monetary power with Germany, challenging the idea of a Germany-driven ECB and showing its reluctance to lose its domestic sovereignty in monetary policy ¹¹⁴.

¹¹³ Goodness to fit has been elaborated in two separated articles. Börzel, T. and Risse, T. (2000). “When Europe Hits Home: Europeanization and Domestic Change”, in *European Integration online Papers* (EIoP), 4, 015; and Börzel, T. and Risse, T. (2003). “Conceptualizing the Domestic Impact of Europe”, in Featherstone and Radaelli eds., *The Politics of Europeanization*, Oxford University Press.

¹¹⁴ Bulmer and Padgett (2004), “Policy Transfer in the European Union: An Institutional Perspective”, in *British Journal of Political Science*, 35, 103-126;

¹¹⁵ Dyson, Kenneth (2002). “Germany and the Euro: Redefining EMU, Handling Paradox, and Managing Uncertainty and Contingency”, in Dyson ed. *European States and the Euro: Europeanization, Variation and Convergence*, Oxford, Oxford University Press, 2002.

¹¹⁶ Howarth, David (2002) “The French State in the Euro-Zone: ‘Modernization’ and Legitimizing Dirigisme” in Kenneth Dyson, *European States and Euro: Europeanization, Variation, and Convergence*, Oxford: oxford University Press.

Since the beginning, in fact, the creation of the European Monetary System (EMS) was due to the political initiative of the French and German governments that defined it as a “scheme for the creation of closer monetary cooperation leading to a zone of monetary stability in Europe”¹¹⁷. More recently, France also took advantage of the German call to collaborate toward a monetary union, because otherwise, for German Chancellor Helmut Kohl an EMU without France would not make sense¹¹⁸. Consequently, Dyson notes that the negotiation ability of French policymakers asking for extra conditions in the negotiation process occurred along the three steps. Another reason explaining France’s predominant resistance in opposing Germany is that in the EMU, the “goodness to fit” worked well in France too¹¹⁹. In this sense, Howarth notes that French governments tended to interpret the EMU as an extension of French state activity at the EU level together with the defense of its domestic monetary interests¹²⁰. Finally, France could also count on the support of other members like the UK and Italy, which were not particularly enthusiastic about the idea of a “Bundesbank-cloned” monetary regime.

In conclusion, the pressure from France and other members was able to dilute the predominance of Germany in monetary policy-making¹²¹. In effect, the negotiations among them show that domestic factors – in this case partially negotiable – play a major role in “Uploading” Europeanization. As a result, Germany represents the unique case of “Uploading” Europeanization in monetary union, but its success to “copy-paste” the model of its central bank system to the European Central Bank has been constrained by negotiations with other members, especially France. For Jones, the EMU reflects a change in the Franco-German relationship, notwithstanding difficult negotiations during and after the EMU implementation¹²². In fact, according to Van Oudenaren, the Maastricht treaty reflects French preferences about timing and German preferences about the conditions¹²³.

10. N-NDFs Prevalence in Europeanized Integration: New Central and Eastern European Members and their postponement of Entrance into the Eurozone

“Euro Fatigue Takes Hold” headlined the Wall Street Journal in 2007, underlining that the “[c]ommon currency offers few incentives for new EU members [and] membership in the euro zone has failed to generate significant level of popular enthusiasm”¹²⁴. The newspaper also reported a statement released by the International Monetary Fund arguing that “growing skepticism about benefits from euro adoption and reform fatigue [...] contributed to a weakening of political support for euro adoption”¹²⁵.

As a result, several new Central and Eastern members have abandoned their entry dates for adopting the Euro. More precisely, in 2004, with the entrance into the EU of ten new members from Central and Eastern Europe, negotiations between the domestic and EU levels aimed at

¹¹⁷ Resolution of the European Council of 5 December 1978 on the establishment of the European Monetary System (EMS) and related matters.

¹¹⁸ Dyson (2002), op. cit.

¹¹⁹ See Börzel, T. and Risse, T. (2000). “When Europe Hits Home: Europeanization and Domestic Change”, in *European Integration online Papers (EIoP)*, 4, 015; and Börzel, T. and Risse, T. (2003). “Conceptualizing the Domestic Impact of Europe”, in Featherstone and Radaelli eds., *The Politics of Europeanization*, Oxford University Press.

¹²⁰ Horwarth, (2002), op. cit.

¹²¹ Ladrech, Robert (1994). “Europeanization of Domestic Policies and Institutions: The Case of France”, in *Journal of Common Market Studies*, Vol. 32, N. 1, March.

¹²² Jones, Erik (2002). “The Politics of Economic and Monetary Union”, Rowman and Littlefield, Lanham.

¹²³ Van Oudenaren, John (2005). “Uniting Europe”. 2nd ed. Lanham, MD: Rowman and Littlefield, 2005.

¹²⁴ The Wall Street Journal, Tuesday August 7, 2007, page 2.

¹²⁵ Ibidem.

postponing their entrance into the Eurozone took place. In effect, despite the fact that adoption of the Euro was mandatory and the impossibility to “opt out” was precluded, of the new ten members, only Slovenia had adopted the Euro in 2007, followed by small members Malta and Cyprus in 2008. The absence of big names such as Poland, the Czech Republic and Hungary in the Euroclub confirms that convergence and downloading Europeanization are far from being completely accomplished. Romania and Bulgaria, new members from 2007, are even expected to convert to the Euro without a definite timetable.

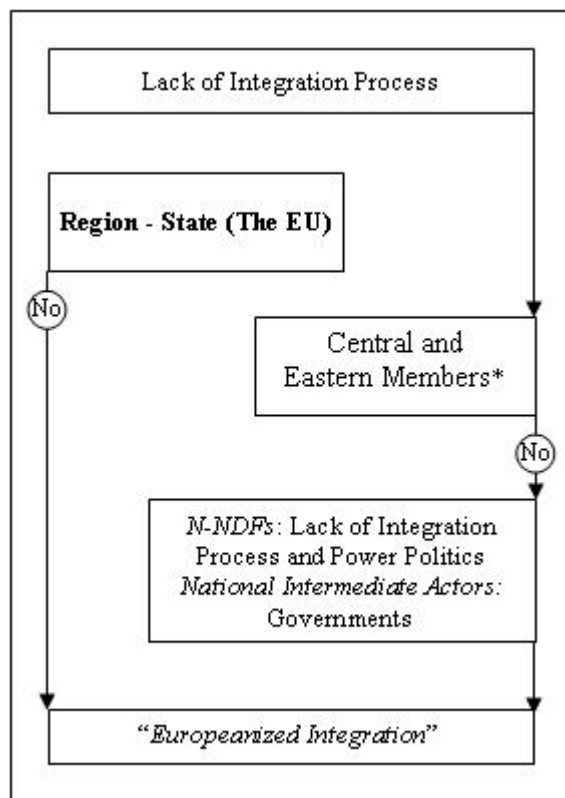


Figure 12 – Actors, N-NDFs and dynamics in Europeanized integration.

* With the exception of Slovenia, Malta and Cyprus

Therefore, another case in which Europeanization is made difficult by N-NDFs is epitomized by new members of Central and Eastern Europe who obtained a successful entrance delay in the European Monetary Union (EMU). In these cases, I suggest that a lack of integration process brought about a forced and subsequently unsuccessful Europeanization, thus causing almost all the new members to ask for a postponement of the Euro adoption. Lack of integration means that new members are required “to play the game” without participating in defining its rules during the 1990s, when they were outside the Union. It means that downloading Europeanization forces new members to integrate in an already Europeanized context where the rules have been previously decided by other actors. In fact, they did not take part in “uploading” European integration that was managed solely by the old EU members. Therefore, asking for a postponement was the only option they had in redefining and negotiating “fit” and exercising some sort of power politics in bargaining with other members. The whole process can be defined as “Europeanized Integration”.

Europeanized Integration confirms the thesis that, considering that the EU has its coercive power after the accession, “coercive Europeanization” fails. This hypothesis partially confirms Dyson’s theory on the discrepancy between the projected enlargement of the EMU to new member states and real events¹²⁷. Europeanized Integration also intercepts the idea of paradoxical Europeanization. For Dyson, Europeanization as an explanatory variable for the Euro adoption in Eastern and Central Europe has an ambivalent effect: on one hand, limited Europeanization; on the other hand, the compulsory adoption of the Euro. Then, Eastern and Central governments have evolved political strategies to cope with this forced convergence, which Dyson defines as “paradoxical Europeanization” and “clustered convergence”. For Dyson, Europeanization is paradoxical because for new members, it is persuasive before, but elusive after. Further, clustered convergence means that in the EMU, convergence is visible only in

¹²⁶ Dyson, op. cit.

¹²⁷ Dyson, K. (2007). “Euro Area entry in East-Central Europe: Paradoxical Europeanisation and Clustered convergence”, West European Politics, Vol. 30, No. 3, 417 – 442, May.

groups of countries, such as the Baltic states (with a pacesetter attitude toward the EMU), the Visegrad States (with clustered convergence in business cycle but nominal divergence in the Euro accession) and Slovenia (the first and the only entrant at the time of the study)¹²⁸. Europeanized Integration moves also in the direction depicted by Grabbe when he argues that Europeanization operating in applicant countries is characterized by an asymmetry of power, because they are subject to external pressures without the possibility of influencing EU policy-making from the inside¹²⁹.

Considering that the aim of this paper is to analyze the politics of the Euro dynamics, I assume that Europeanized Integration is the main political explanation for creating a delay in the Euro adoption. However, the literature also analyzes macroeconomic reasons for delaying that are only briefly discussed here. To this regard, Tumble-Gugerell and Mooslechner underline the risk that policy convergence in a geopolitical periphery like Central and Eastern Europe, where countries have to economically catch up with respect to the core members, might become a divergence, or, at least, a nominal convergence¹³⁰.

Finally, a mention of the attitude of the European Commission is needed. The EU institutions tolerated the UK's, Denmark's and Sweden's refusal to join the Euro but the Commission has stated it would not be indulgent on any future members attempting the same path. Therefore, "opting out" has become a procedure that the EU was obliged to ban for new future members. However, in Europeanized Integration, N-NDFs provoked a prudent reaction by the Commission that is now calling for a reevaluation of its attitude toward implementation of mandatory accomplishments, such as monetary union. The Commission, in fact, usually promotes the EU interests but in this case, it had to retrench and play a moderate role in promoting monetary union among its new Central and Eastern members.

Conclusion

The prominent role of member-states is unquestioned in integration, because the first *raison d'être* of the EU can be identified in state dynamics to create supranational institutions, rules and procedures through an intergovernmental method. Old members took more than ten years to define the path to monetary union in order to define a true regional integration process. For the old members, the supposedly equilibrated evolution of the EU followed the apparent clear and logical path defined by the shift from integration to Europeanization. However, the bargaining typical of the integration phase showed discomfort of some states (especially the United Kingdom, Denmark, Sweden, Italy and Greece) toward the adoption of a common currency, this leading to the tolerance of some exceptional cases where some countries were allowed to opt out while others were allowed to be ambivalent. In this sense, I explained Flexible Integration, Skeptical Integration, Upward Europeanization and Europeanized Integration as an effect of Non-Negotiable Domestic Factors and Partially-Negotiable Domestic Factors. I made the reason for this prominence more explicit. Those processes can be depicted as critical theories on European Integration and Europeanization that better encompass and normatively synthesize the problems in convergence and MLG toward EMU as a response coming from the domestic

¹²⁸ Dyson, K. (2007). "Euro Area entry in East-Central Europe: Paradoxical Europeanisation and Clustered convergence", *West European Politics*, Vol. 30, No. 3, 417 – 442, May; and K. Dyson (ed.), "Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Europe", Oxford: Oxford University Press.

¹²⁹ Grabbe, Heather (2002), "Europeanisation Goes East: Power and Uncertainty in the EU Accession Process", paper for the ECPR Joint Sessions of Workshops, Turin 22 – 27 March.

¹³⁰ Tumble-Gugerell, Gertrude and Mooslechner, Peter (2003), "Economic Convergence and Divergence in Europe: Growth and Regional Development in an Enlarged European Union", Edward Elgar Editor: Cheltenham.

realms. I proved, then, that problems with integration and Europeanization are not exceptional, because their empirical manifestation shows that they have become ordinary.

I showed that states have much to say about both Integration and Europeanization processes because some N-NDFs or P-NDFs prevail. In the cases analyzed here, these factors are leaders' beliefs in the case of the UK, citizens' beliefs in Denmark and Sweden, goodness of fit in Germany, and policy heritage in Italy and Greece. Regarding almost all new Central and Eastern member states - with the exceptions of Slovenia, Malta and Cyprus - lack of integration can be considered a N-NDFs leading them to ask for an entrance postponement into the Euroarea. New members experienced a path to move toward the membership (in terms of potential candidates, official candidates and effective members) but they did not negotiate the rules of the games as the old members did in the 1990s. This means that for them, Europeanization took place without the logic of the previous regional integration process. Therefore, asking for a postponement was the only option they had in redefining and negotiating "fit" and exercising some sort of power politics in bargaining with other members. This process, which I defined as "Europeanized Integration", expresses the idea that new members are in a different epistemological situation than the old ones, because they have to accept all the provisions that come with the entrance into the EU, including the adoption of the Euro. However, new members also found room for negotiation, especially with the aim to delay their entrance in the Eurozone.

Furthermore, the problems of member-states' ability to lead Europeanization, instead of the EU, create a paradoxical situation that deserves to be solved theoretically. While member nation-states generally have had to adapt to Europe, it is true that the EU in fundamental policy areas have had to adapt to members' input in Europeanization. This paradox makes the underpinned relationships in traditional models more complicated. In this sense, the new member-states' postponement of monetary union in Europeanization is an emblematic case for two reasons. The first is the inversion of the roles in a policy area that is supposed to be exclusively managed by the EU. Secondly, it happened in Europeanization, a process which members should follow, and not precede, the EU. Therefore, especially in Europeanization, overestimating the role of the EU and underestimating the role of member states is a risk. To avoid this, I refused to assume a strict, deterministic, unidirectional causation between entities in European Integration and Europeanization, by analyzing cases of N-NDFs and P-NDFs in pivotal policy areas such as the European monetary union.

Looking at the conceptual triangle among European integration ("the setting of the rules of the game") Europeanization (to "play the EU game") and MLG ("where the game is played") the broad picture is not easy to describe, due to the multiple and contemporary interconnections between the rules of the game, how the game is played and where it is played. In particular, critical examples of Europeanization such as Europeanized integration, might contribute to a different theory explaining the distribution of competences than the one currently believed, redirecting relationships, and the role of the actors involved in sharing policy attributions. It is not easy to detect the problems in MLG and new studies should address this area especially by looking at how new members might contribute to redefining it. To this regard, it might be appropriate to look at how the plural set of institutions involved in relevant policy fields, like monetary union, modify the issue of the patterns of collaboration among actors in both integration and Europeanization. Further, the EMU was intended to be a process of policy convergence and institutional reform. However, convergence represented a problematic step in both old and new members. It can be said that for old members, Europeanization represents a second phase logically following the first one, which is the regional integration. As a result, EMU in old and new members provides great examples of the repercussions of integration and Europeanization on convergence that need to be studied more deeply.

Among the limits of this paper, one might note an absence of measurements of the effects provoked by N-NDFs and P-NDFs in European integration and Europeanization. In this sense, it might be interesting to create a methodology capable of quantitatively measuring these effects. Further, the analysis on the cases that support my theory could be deepened. As a result, concepts

and theoretical apparatuses explained here could be defined more precisely. Finally, more needs to be said about the effects of flexible integration, skeptical integration and Europeanized integration on convergence and MLG theories.

Finally, I showed the decisive effect of some N-NDFs and P-NDFs. N-NDFs reverberate in Flexible Integration and Europeanized Integration, while P-NDFs are echoed in Skeptical Integration and Uploading Europeanization. Therefore, the analysis is complicated by the fact that European integration and Europeanization can be analyzed alongside or as a part of the same whole. However, further investigations on Europeanization should better analyze this domestic dimension of Europeanization, by locating the effects and the dynamics they generate, expanding the analysis on the cases and underlining the role of the N-NDFs and P-NDFs that are dramatically decisive for this sort of the European project.